

Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2018

Prepared by the Financial Services Division
under the direction of
Patrick McKenna, MoDOT Director
and Brenda Morris, CPA, Financial Services Director

Missouri Department of Transportation
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**Missouri Department
of Transportation**
an agency of the State of Missouri

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Introductory Section



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Missouri Department of Transportation
Patrick K. McKenna, Director

1.888.ASK MODOT (275.6636)

September 28, 2018

The Honorable Michael L. Parson, Governor
Members of the Missouri Legislature
Members of the Missouri Highways and Transportation Commission
Citizens of the State of Missouri

The Missouri Department of Transportation (MoDOT or the Department) is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Department for the fiscal year ended June 30, 2018.

Revised Statutes of Missouri, Section 21.795, require the Department, an agency of the state of Missouri, to have a financial statement audit performed annually by an independent certified public accountant. In fulfillment of this requirement, as well as bond requirements, the Department prepared this CAFR and contracted with the independent auditing firm of BKD, LLP to audit the financial statements.

The objective of the independent audit is to provide reasonable assurance the financial statements are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the Department's financial statements for the fiscal year ended June 30, 2018, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Their report is presented as the first component in the financial section of this report.

GAAP requires management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement Management's Discussion and Analysis, which can be found immediately following the report of the independent auditors, and should be read in conjunction with it.

The CAFR comprises all funds from which MoDOT spends including certain other state agencies' spending as allowed by Missouri law. Only MoDOT appropriations are reported for other state of Missouri funds. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department.

To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework designed to protect the Department's assets from loss, theft or misuse and to compile reliable information for the preparation of the financial statements in conformity with GAAP. The Department's internal control includes both automated controls, which are an integral component of the financial accounting system, and comprehensive policies and procedures. In addition, the Department's Audits and Investigations Division is an independent audit unit that performs audits of the various districts and divisions of the Department.

Because the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatements.

To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

Profile of the Department

MoDOT works to provide a world-class transportation system that is safe, innovative, reliable and dedicated to a prosperous Missouri. The Department is responsible for designing, building, operating and maintaining Missouri's transportation system - the seventh largest in the United States with approximately 33,859 miles of highway and 10,385 bridges. The Department also works to improve airports, river ports, railroads, public transit systems and pedestrian and bicycle travel.

In 1979, voters of the State passed a constitutional amendment merging the State Highway Department with the Department of Transportation, becoming the Missouri Highways and Transportation Department. In 1996, the Missouri Highways and Transportation Department became the Missouri Department of Transportation by legislative action. The Missouri Highways and Transportation Commission (MHTC or Commission), a six-member bipartisan board, governs the Department. Commission members are appointed by the governor and are confirmed by the Missouri Senate. No more than three commission members may be of the same political party. The Commission appoints the MoDOT director.

The Commission is responsible for the annual update of the Department's five-year Statewide Transportation Improvement Program (STIP) and awards contracts for highway projects. The Commission has authority to issue bonds secured by highway revenues.

As shown on the organizational chart following this letter, the Department is organized by divisions and districts. The divisions represent a variety of disciplines and provide direction and oversight of the activities in the districts and support to the Department. These activities include the design and construction of highways and facilities, transportation planning including the five-year STIP, maintenance and safety of the existing highway system and activities related to other modes of transportation, such as aviation, railways, river ports, freight, transit, and bicycle and pedestrian facilities. The districts represent seven geographical regions of the state of Missouri and are responsible for providing projects and services to the citizens of Missouri.

Budgetary Controls

The Commission approves the appropriation request submitted to the State Legislature for all governmental funds reported by MoDOT with the exception of those funds appropriated to other state agencies and to the Office of Administration for certain fringe benefits. The request is developed with input from the districts and divisions. In accordance with article IV, § 30(b), the Commission has the sole discretion to spend moneys in the State Road Fund. In recent history, additional spending authority limitations have been added through the legislative budget process. These limitations have reduced the Commission and Department's flexibility to adjust spending due to weather, emergency and market conditions of construction and operations and could, if continued, lead to organizational difficulties fulfilling its mission. Other state funds administered by the Commission are subject to appropriation by the General Assembly. All appropriations are approved by the legislature during the legislative session ending in May to be effective in the subsequent budget year.

The Department relies on the statewide accounting system to control total expenditures by appropriation utilizing features in the system to ensure budgetary compliance. An additional budgetary control in place includes management using reports to monitor spending by program, division and appropriation.

Missouri Economy

Missouri's transportation system impacts the state's economy. Missouri businesses depend on roadways, railways, waterways and airports to move their products and services both nationally and globally. An efficient, well-connected transportation system helps attract new businesses to our communities and helps existing businesses maintain a competitive edge with easy customer access, minimal shipping costs and strong links to a diverse workforce. The Department believes investments in transportation creates jobs and provides opportunities for advancement to all Missouri citizens.

Missouri employment continues to show slight growth. Per the Missouri Economic and Research Information Center (MERIC), in fiscal year 2018, the unemployment rate declined to 3.5 percent in June 2018. This compares to an unemployment rate of 3.7 percent in June 2017. Compared to the national trend, the Missouri unemployment rate declined less than the United States rate, but ended 0.5 percentage points lower in June of 2018 than the national rate of 4.0 percent. Also, per MERIC, employment gains occurred over the previous year in most areas including manufacturing; information; finance; professional and business services; educational and health services; and leisure and hospitality. Personal income in the first quarter of 2018 is continuing to show steady growth at 2.8 percent over the previous year. Consumer confidence increased in fiscal year 2018, which indicates that consumers are more optimistic about the economy.

MoDOT contributes to the economy in the areas of job creation, personal income growth and new value added to the economy. Based on the 2018-2022 STIP investment (includes investment of \$5,608.0 million for roads and bridges, which \$4,450.0 million are awards, and \$415.9 million for other modes) of \$6,023.9 million, an analysis estimates that on average, each year the plan creates 4,577 additional jobs with an average salary of \$55,368, \$253.4 million in new personal income and \$353.1 million in new value added to the economy. An analysis of the 2017-2021 STIP investment of \$5,451.5 million estimates 4,343 jobs with an average salary of \$52,452, \$227.8 million in new personal income and \$316.0 million in new value added to the economy. For comparison, an analysis of the 2016-2020 STIP investment of \$3,040.7 million estimates 2,836 jobs with an average salary of \$53,074, \$150.5 million in new personal income and \$188.1 million in new value added to the economy. These statistics show the impact to the economy by the increased STIP investment.

Federal funds are the largest source of transportation revenue. The Department's share of state fuel tax receipts, the second largest revenue source, increased 1.3 percent in 2018. The 2018 state fuel tax receipts are still slightly less than receipts in 2008, the year with the highest collections in the last decade. The motor fuel tax rate was last raised in 1996 and is not indexed to keep pace with inflation. Motor vehicle and driver licensing fees increased 3.9 percent from 2017. Vehicle and driver licensing fees, similar to motor fuel taxes, are not indexed to keep pace with inflation and for most annual registration fees no increases have occurred since 1984. Motor vehicle sales tax receipts increased 1.6 percent from 2017. Overall, state revenues for the Department increased 2.0 percent in 2018 compared to 2017.

In December 2015, Congress passed the Fixing America's Surface Transportation (FAST) Act, which is a five-year, \$305.0 billion transportation bill for the nation's transportation projects. Prior to the FAST Act, Congress had not passed a long-term highway authorization act since 2005. The FAST Act is funded with receipts into the Highway Trust Fund, a transfer of \$24.0 billion from the General Fund and additional funding offsets to pay for the bill. The FAST Act will end in federal fiscal year 2020 and starting in federal fiscal year 2021, an estimated \$16.0 billion per year gap exists between the current funding for transportation and the Highway Trust Fund revenues. In addition, the FAST Act contains a rescission that will be effective July 1, 2020 that would lower Missouri's apportionments by approximately \$196.7 million and reduces the flexibility the department has in committing federal funds to projects. Congress still needs to find a long-term source of transportation revenue to support the nation's infrastructure needs.

Construction and Condition of the System

Missouri's 2019-2023 STIP was approved by the Commission in July 2018. The STIP awards for road and bridge projects total \$4,500.0 million and makes maintaining the existing system a priority in an effort to keep Missouri's transportation system in its current condition. The Missouri legislature in 2000, and Missouri voters in 2004, approved bonding authority that directed MoDOT to sell bonds and use the proceeds to improve roads and bridges. Missouri's major roads went from 47.4 percent in good condition in 2004 to 88.5 percent in December 2012. The improvement during this period can be attributed to debt financing and the impacts of the American Recovery and Reinvestment Act of 2009. In December 2017, Missouri's major roads were 91.6 percent in good condition. Minor, less traveled roads are 77.9 percent in good condition as of December 2016, a significant improvement from December 2012 when only 69.3 percent were in good condition. The condition of Missouri's bridges has been declining since fiscal year 2012 after the completion of the debt financed \$685.0 million, Safe and Sound Bridge Improvement Program, a program to replace or rehabilitate 802 bridges throughout the state. As of December 2017, 922 of the 10,385 structures are in poor condition.

Major Projects

In June 2018, the Route 141 at I-44 Improvement Design-Build project costing \$25.0 million was completed. The project improved connections at the Interstate 44/Route 141 interchange, as well as at Route 141 and Vance Road. Construction began in June 2016.

The Poplar Street Ramp project is currently underway with improvements to the eastbound bridge (eastbound I-64 and northbound I-55) over the Mississippi River. Crews are placing a new overlay on the bridge and widening the ramp from northbound I-55 to the bridge. The total project cost is \$54.0 million and is expected to be completed in late fall 2018.

MoDOT will be making safety improvements at 31 locations in Franklin and St. Charles counties. This project, costing \$24.1 million, is being completed using a design-build project delivery method. A variety of safety improvements will be made, including pavement treatments, reflective pavement markers, rumble strips and flashing stop signs. Awarded in May 2017, construction is expected to be completed by December 2018.

MoDOT, along with the city of Washington, Franklin County and Warren County, will replace the deteriorating 1936 Missouri River Bridge, located on Route 47. This bridge provides a vital link between Warren County and Franklin County. The project is expected to cost \$69.2 million. In 2014, the project received a \$10.0 million Transportation Investment Generating Economic Recovery (TIGER) Grant from the U.S. Department of Transportation. The groundbreaking for the new bridge was in August 2016, and the project schedule calls for construction of the new bridge to be completed by the summer of 2019.

Construction began in the fall of 2017 on a new bridge over the Mississippi River, connecting Louisiana, Missouri with the state of Illinois. This new bridge will replace the current bridge that was built in 1928. In 2015, the project received a \$10.0 million TIGER Grant from the U.S. Department of Transportation. The project was awarded in June 2017. The estimated cost of \$65.0 million will be split between Missouri and Illinois. The new bridge is expected to be completed by November 2019.

The MHTC selected a contractor in December 2017 to design and build improvements to Interstate 435 from Kansas state line to Interstate 49. Construction on the \$74.8 million project began in the summer of 2018 and will last through the spring of 2020. The I-435 corridor was originally constructed in 1966 as a six-lane freeway, and an additional lane was added in phases from 1983 to 1994. Improvements have been made over the past 20 years by both MoDOT and the Kansas Department of Transportation, but overall this corridor has been left virtually unchanged. This project will address congestion as well as the aging bridges. The project is expected to be completed in late spring of 2020.

Construction is expected to begin in the late spring or early summer of 2019 on the I-44 Rebuild Bridge Project. The project will replace or long-term rehabilitate 31 bridges along the I-44 corridor between Range Line Road in Joplin and Route Z in Halltown. The project is estimated to cost \$36.1 million and is expected to be completed in December 2021.

Long-term Financial Planning

The Department's 2019 budget, \$2.3 billion, approved by the Commission in June, is approximately \$84.9 million more than the Department's 2018 amended budget, primarily because of increases related to the construction program as contractor awards increase and for federal railroad grants for implementation of Positive Train Control. The fiscal year 2019 budget reflects the cash expenditures associated with a slightly larger program. The construction program has grown over the last several years to ensure all federal funds allocated to Missouri are invested in the transportation system. As the multi-year FAST Act is nearing its end, the federal funds reimbursement risk that Missouri and all states face will begin to increase. Starting in federal fiscal year 2021, a \$16.0 billion gap exists between the current federal funding provided to states and the Highway Trust Fund revenues. In the coming years despite this increase in risk, the construction program is expected to remain stable as the Department spends down the cash balance in the State Road Fund to fully match the federal funds allocated to Missouri, but that cannot continue forever.

The Department projects the annual construction program will remain at \$900.0 million in 2020 and subsequent years. Even with the higher contractor awards, the funds will be focused on maintaining the current transportation system.

In November 2018, Missourians will have a chance to vote on a 10 cent motor fuel tax increase that will be dedicated for the enforcement of motor vehicle laws by the Missouri State Highway Patrol. The fuel tax will be increased by 2.5 cents per year for four years, taking it from its current 17 cents to 27 cents in 2022. When fully implemented, the proposal would generate at least \$288.0 million annually for Missouri state law enforcement and \$124.0 million annually for local governments for road and bridge construction and maintenance, which results in the redirecting of about \$241.0 million to state road and bridge projects.

Other Information

The Department is required to undergo an annual Single Audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the Office of Management and Budget published 2 CFR (Code of Federal Regulations) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Department's information will be included in the state of Missouri's Single Audit for the fiscal year ended June 30, 2018.

Acknowledgements

This CAFR is published to demonstrate our intention to maintain the highest quality standards of public accountability. This report could not have been prepared without the dedicated efforts of MoDOT employees. The commitment and professionalism of the Financial Services Division staff contributed significantly to the timely preparation of the 2018 report.

Respectfully submitted,



Patrick K. McKenna
Director



Brenda Morris, CPA
Financial Services Director

Principal Officials

as of June 30, 2018

Commission

Gregg C. Smith	Chairman
Michael B. Pace	Vice Chair
Michael T. Waters, Jr.	Member
Robert G. Brinkmann	Member
John W. Briscoe	Member
Terry L. Ecker	Member
Pamela Harlan	Secretary

MoDOT

Patrick K. McKenna	Director
Ed Hassinger	Chief Engineer
Vacant	Chief Financial Officer
Vacant	Assistant Chief Engineer
Rich Tiemeyer	Chief Counsel
Bill Rogers	Audits and Investigations Director
Dennis Heckman	State Bridge Engineer
David Ahlvers	State Construction and Materials Engineer
Sally Oxenhandler	Interim Communications Director
Eric Schroeter	State Design Engineer
Rudy Nickens	Equal Opportunity and Diversity Director
Lester Woods	External Civil Rights Director
Brenda Morris	Financial Services Director
Debbie Rickard	General Services Director
Jay Wunderlich	Governmental Relations Director
Micki Knudsen	Human Resources Director
Beth Ring	Information Systems Director
Michael DeMers	Innovative Partnerships and Alternative Funding Director
Becky Allmeroth	State Maintenance Engineer
Stephen Meystrik*	Interim Motor Carrier Services Director
Michelle Teel	Multimodal Operations Director
Jeff Padgett	Risk and Benefits Management Director
Nicole Hood	State Highway Safety and Traffic Engineer
Machelle Watkins	Transportation Planning Director

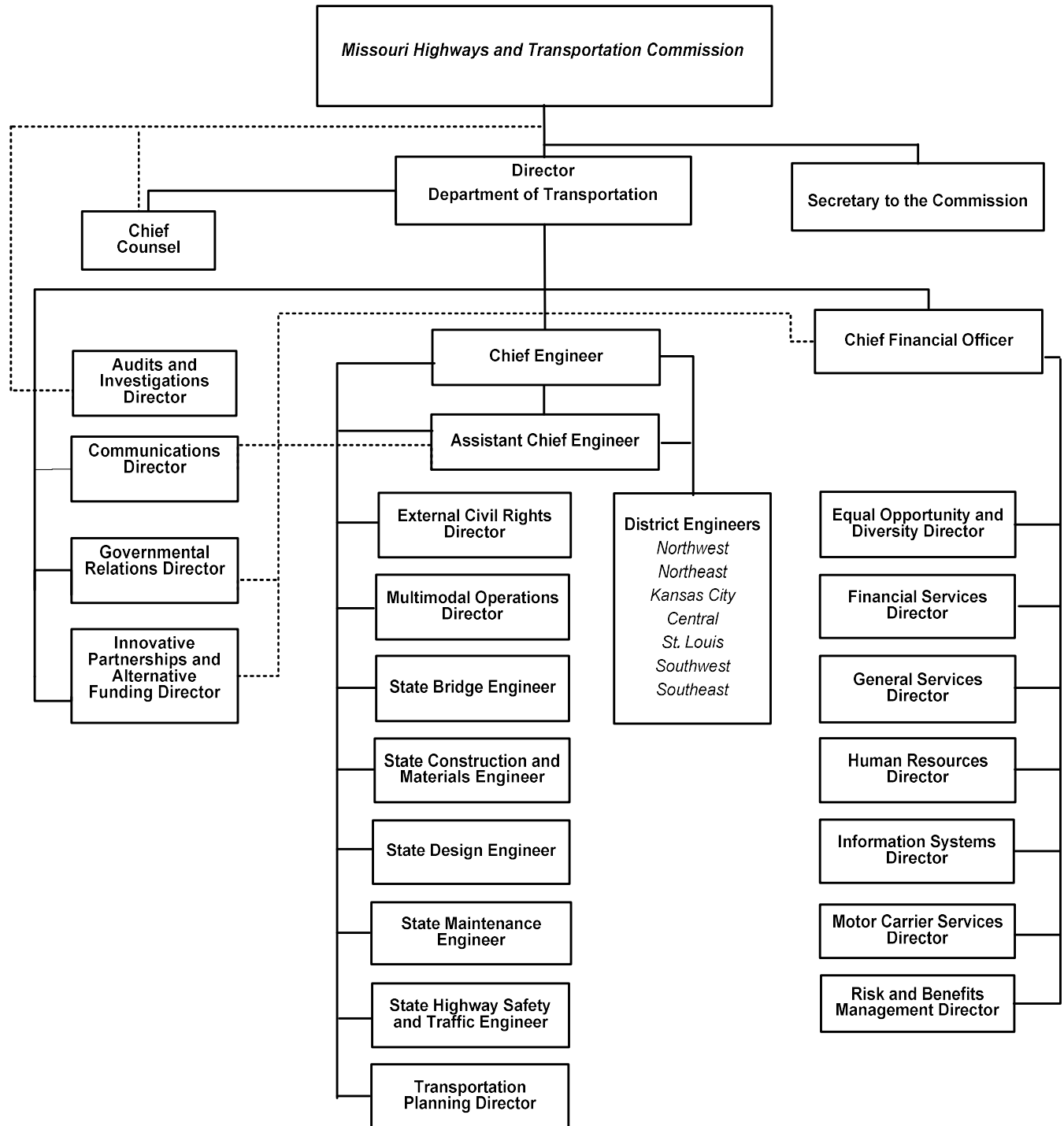
Districts

Chris Redline	Northwest District Engineer
Paula Gough	Northeast District Engineer
Brian Kidwell	Kansas City District Engineer
Dave Silvester	Central District Engineer
Tom Blair	St. Louis District Engineer
Travis Koestner	Southwest District Engineer
Mark Shelton	Southeast District Engineer

*Jim True became Motor Carrier Services Director effective September 1, 2018.

Organizational Chart

June 30, 2018





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Financial Section



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Independent Auditor's Report

Missouri Highways and Transportation Commission
Missouri Department of Transportation
Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation (the "Department"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report, thereon, dated September 28, 2017, expressed an unmodified opinion.

Financial Reporting Entity

As discussed in *Note 1*, the financial statements of the Missouri Department of Transportation are intended to present the financial position, the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2018, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in *Note 13* to the financial statements, in 2018, the Department adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparisons, pension schedules and postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Missouri Highways and Transportation Commission
Missouri Department of Transportation

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining financial statements, the budgetary comparison schedules and reconciliations – debt service and nonmajor governmental funds, and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, the budgetary comparison schedules and reconciliations – debt service and nonmajor governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, the budgetary comparison schedules and reconciliations – debt service and nonmajor governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 28, 2018, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
September 28, 2018



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Management's Discussion and Analysis

Management's Discussion and Analysis

The following section of our annual financial report presents our discussion and analysis of the Department's (or MoDOT's) financial performance during the year. It is intended to assist you in understanding how the various statements relate to each other and provide an objective and easily readable analysis of the Department's financial activities based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the letter of transmittal included in the introductory section and information presented in the Department's financial statements and notes, which follow this section. The Department implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) and GASB Statement 85, Omnibus 2017. No other new GASB standards with financial statement impact were applicable to MoDOT for fiscal year 2018.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

- The net position of the Department at the close of the fiscal year was \$27.6 billion compared to \$27.5 billion at 2017. The Department's net position increased 0.6 percent for fiscal year 2018 from 2017 and 1.6 percent for fiscal year 2017 from 2016. Of the fiscal year 2018 and 2017 amounts, \$0.9 billion and \$0.5 billion, respectively, are negative unrestricted amounts which are offset by the department's investment in capital assets. The negative unrestricted net position of the governmental activities first occurred when the Department adopted GASB 68 and GASB 71 in fiscal year 2015 requiring the Department to report its proportionate share of the net pension liability. In fiscal year 2018, the Department adopted GASB 75, which required the Department to report its proportionate share of the other post-employment benefit (OPEB) liability. The addition of the net pension and OPEB liabilities result in assets no longer exceeding other obligations.
- The majority of the Department's assets are capital assets, which totaled \$30.4 billion and \$30.1 billion for fiscal years 2018 and 2017, respectively. This represents a 1.0 percent increase for 2018 from 2017 and a 0.6 percent increase for 2017 from 2016.
- Non-current liabilities of the Department for both June 30, 2018 and 2017 total \$3.6 billion. In fiscal year 2018, reductions in scheduled debt repayments were offset by the addition of the OPEB liability. Fiscal year 2017 compared to 2016 had a \$0.3 billion decrease. The fiscal year 2017 decrease is the result of calling the Senior Lien Refunding State Road Bonds, Series 2006, and the Second Lien State Road Bonds, Series 2007, on February 1 and May 1, respectively, as well as a reduction in scheduled debt repayments.

Fund Highlights

- At the close of the fiscal year, the Department's governmental funds combined ending fund balance for both fiscal years 2018 and 2017 is \$0.9 billion. From fiscal year 2016 to 2017, a decrease of \$0.1 billion occurred.
- For fiscal year 2018, 96.3 percent of the Department's governmental fund balance is available for spending at the Department's discretion in accordance with the purpose of the funds compared to 95.7 percent in fiscal year 2017. The nonspendable fund balance related to inventories decreased from \$38.8 million in fiscal year 2017 to \$33.7 million in fiscal year 2018.
- The proprietary funds combined net position is \$44.2 million at the close of the fiscal year, compared to \$39.6 million in 2017. Restricted investments at the close of both years totaled \$0.3 million, resulting in unrestricted net position of \$43.9 million and \$39.3 million for fiscal years 2018 and 2017, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Department's basic financial statements, which include three components: (1) **government-wide financial statements**, (2) **fund financial statements** and (3) **notes to the financial statements**. This section also contains required supplementary information and combining financial statements.

Government-wide Financial Statements (Reporting the Department as a Whole)

The government-wide financial statements are designed to provide readers an overall picture of the Department's financial position. The statements provide both current and noncurrent information about the Department's financial status, which assists the reader in assessing the Department's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which are similar to methods followed by most private-sector businesses. These statements take into account all of the current year's revenues and expenses, even if the related cash has not been received or paid. The government-wide financial statements include two statements: the Statements of Net Position and the Statements of Activities. These statements take a much longer view of the Department's finances than do the fund-level statements.

- The *Statements of Net Position* combine and consolidate all of the Department's assets and deferred outflows and liabilities and deferred inflows, except fiduciary funds, with the difference between the two reported as "net position". This includes current financial resources, capital assets and long-term obligations. Over time, increases or decreases in net position indicate whether the Department's financial health is improving or deteriorating, respectively. Fiduciary fund resources are not reported as they are not available to support Department programs.
- The *Statements of Activities* present information showing how the Department's net position changed during the fiscal year. The Department reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statements for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The Department's basic services are reported as governmental activities, including administration; fleet, facilities and information systems; maintenance; construction; other modal systems; and other activities. Taxes, fees and federal grants finance most of these activities.

This report includes two schedules that reconcile the amounts reported on the governmental fund financial statements (prepared using the modified accrual basis of accounting and current financial resources measurement focus) with the governmental activities on the appropriate government-wide statements (prepared using the accrual basis of accounting and economic resources measurement focus). The following summarizes the impact of utilizing GASB Statement 34 reporting:

- Other long-term assets that are not available to pay for current period expenditures are not reported on governmental fund statements.
- Internal service fund activities are reported as governmental activities on the government-wide statements, but reported separately as proprietary funds in the fund financial statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences and others, appear as liabilities only on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond, note and capital lease issuances result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outlays represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

In addition, deferred inflows and outflows of resources are related to transactions that have occurred, but are not yet recognized in the financial statements as revenues or expenses, are also included in these schedules.

Fund Financial Statements (Reporting the Department's Major Funds)

The fund financial statements provide detailed information about the major individual funds. A fund is an accounting entity with a self-balancing set of accounts the Department uses to keep track of specific sources of funding and spending for a particular purpose. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. All of the funds of the Department can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. It is important to note these fund categories use different accounting approaches and should be interpreted differently.

- **Governmental Funds** Most of the basic services provided by the Department are reported in governmental funds. Reporting focuses on how financial resources flow in and out of the funds and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. These statements provide a detailed short-term view of the Department's general governmental operations and the basic services it provides. This information should help determine whether there are more or less current financial resources available for the Department's current needs. Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare these statements with the governmental activities information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund Balance Sheets and the governmental fund Statements of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities in the government-wide statements. These reconciliations are presented on the page immediately following the governmental fund financial statements.

The Department reports three major governmental funds. Information is presented separately in the governmental funds Balance Sheets and the governmental funds Statements of Revenues, Expenditures and Changes in Fund Balances for the State Highways and Transportation Department Fund (Highway Fund), the State Road Fund (Road Fund) and the State Road Bond Fund. The Highway and Road funds are special revenue funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State Road Bond Fund is a debt service fund, which was constitutionally established to receive monies from the state's motor vehicle sales tax and is used to fund the repayment of bonds. Data from other funds are combined into a single, aggregated presentation as nonmajor governmental funds. Examples of the nonmajor funds include statutorily established funds for multimodal activities. Individual fund data for each of these nonmajor governmental funds is provided within combining financial statements following the Notes to the Financial Statements.

- **Proprietary Funds** When the Department charges customers for some of the services it provides, whether to outside customers, other agencies, or to units within the Department, these funds are reported in proprietary funds. These funds are used to show activities that operate more like those found in the private sector and utilize full accrual accounting, like the government-wide statements.

The Department has two internal service funds: Missouri Highways and Transportation Commission (MHTC) Self Insurance Plan and the MoDOT and Missouri State Highway Patrol (MSHP) Medical and Life Insurance Plan. Individual data for each of these funds is provided within the combining financial statements following the Notes to the Financial Statements. Internal service fund activities are reported as governmental activities on the government-wide statements with eliminations made to remove the effect of the interfund activity.

- **Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the Department. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Department's activities. These agency funds account for monies held on behalf of various political subdivisions and other interested parties.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements, which discuss particular accounts in more detail, can be found immediately following the fiduciary funds Statements of Assets and Liabilities.

Required Supplementary Information

A section of *Required Supplementary Information* follows the Notes to the Financial Statements. This section includes budgetary comparisons and a separate reconciliation between the fund balances for budgetary purposes and the fund balances as presented for the major special revenue funds in the governmental fund financial statements. The Budgetary Comparison has been provided for the Department's two major special revenue funds to demonstrate compliance with this budget. The legal authority for approval of the Department's budget and amendments for all funds, except the Road Fund, rests with the State Legislature. The authority for the Road Fund rests with the Commission.

Also included are schedules that report information about the pension plan and OPEB liability, contributions and the funding progress of the MoDOT and MSHP Medical and Life Insurance Plan.

Combining Statements

The *Combining Statements* section presents statements reporting individual and total columns for nonmajor governmental funds, proprietary (internal service) funds and fiduciary (agency) funds. This information is presented only in summary form in the basic financial statements.

Budgetary Comparison Schedules and Reconciliations

The *Budgetary Comparison Schedules and Reconciliations* section includes budgetary comparisons and reconciliations between the fund balances for budgetary purposes and the fund balances as presented for the major debt service and nonmajor special revenue funds in the governmental fund financial statements. The legal authority for approval of these budgets and amendments rests with the State Legislature.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Department's financial health. The following tables, graphs and analyses discuss the financial position and changes in financial position for the Department as a whole as of and for the fiscal years ended June 30, 2018, 2017 and 2016. The Department's combined net position increased \$153.0 million over the course of this fiscal year's operations, an increase of 0.6 percent. This compares to an increase of \$443.0 million in 2017 from 2016.

The following table reflects the condensed financial information derived from the Statements of Net Position as of June 30, 2018, 2017 and 2016:

(Amounts in millions)				Percent Change 2018-2017
	2018	2017	2016	
Assets				
Current and other assets	\$ 1,228	\$ 1,212	\$1,318	1.3%
Capital assets, net	30,396	30,094	29,914	1.0
Total assets	<u>31,624</u>	<u>31,306</u>	<u>31,232</u>	<u>1.0</u>
Deferred Outflows of Resources				
Deferred bond refunding	39	52	66	(25.0)
Pension related items	134	168	123	(20.2)
Other postemployment benefits	17	---	---	100.0
Total deferred outflows of resources	<u>190</u>	<u>220</u>	<u>189</u>	<u>(13.6)</u>
Liabilities				
Current liabilities	449	425	433	5.6
Noncurrent liabilities	3,584	3,566	3,864	0.5
Total liabilities	<u>4,033</u>	<u>3,991</u>	<u>4,297</u>	<u>1.1</u>
Deferred Inflows of Resources				
Pension obligations	46	45	77	2.2
Other postemployment benefits	92	---	---	100.0
Total deferred inflows of resources	<u>138</u>	<u>45</u>	<u>77</u>	<u>206.7</u>
Net Position				
Net Investment in capital assets	28,498	27,979	27,471	1.9
Restricted (internal service fund requirements and highways and transportation uses)*	---	---	---	---
Unrestricted	(855)	(489)	(424)	74.8
Total net position	<u>\$27,643</u>	<u>\$27,490</u>	<u>\$27,047</u>	<u>0.6%</u>

*Due to rounding Restricted Net Position does not show on this table.

The total assets of the Department were \$31.6 billion with deferred outflows of resources of \$190.0 million, while total liabilities were \$4.0 billion, with deferred inflows of resources of \$138.0 million, resulting in a net position of \$27.6 billion. Total assets increased \$318.0 million in 2018, compared to a \$74.0 million increase in 2017 from 2016. Total liabilities increased \$42.0 million in 2018, compared to a \$306.0 million decrease in 2017 from 2016. The increase in total liabilities in 2018 is due to the recognition of the full OPEB liability. The decrease in total liabilities in 2017 is bond related debt. The largest portion of the Department's net position, \$28.5 billion, is the investment in capital assets (i.e., land, buildings, equipment, infrastructure and other) less any related debt outstanding needed to acquire or construct the asset. The Department uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. The negative unrestricted net position of the governmental activities first occurred when the Department adopted GASB 68 and GASB 71 in fiscal year 2015 requiring the Department to report its proportionate share of the net pension liability. In fiscal year 2018, the Department adopted GASB 75, which required the Department to report its proportionate share of the other post-employment benefit (OPEB) liability. The addition of the net pension and OPEB liabilities result in assets no longer being available to meet other obligations.

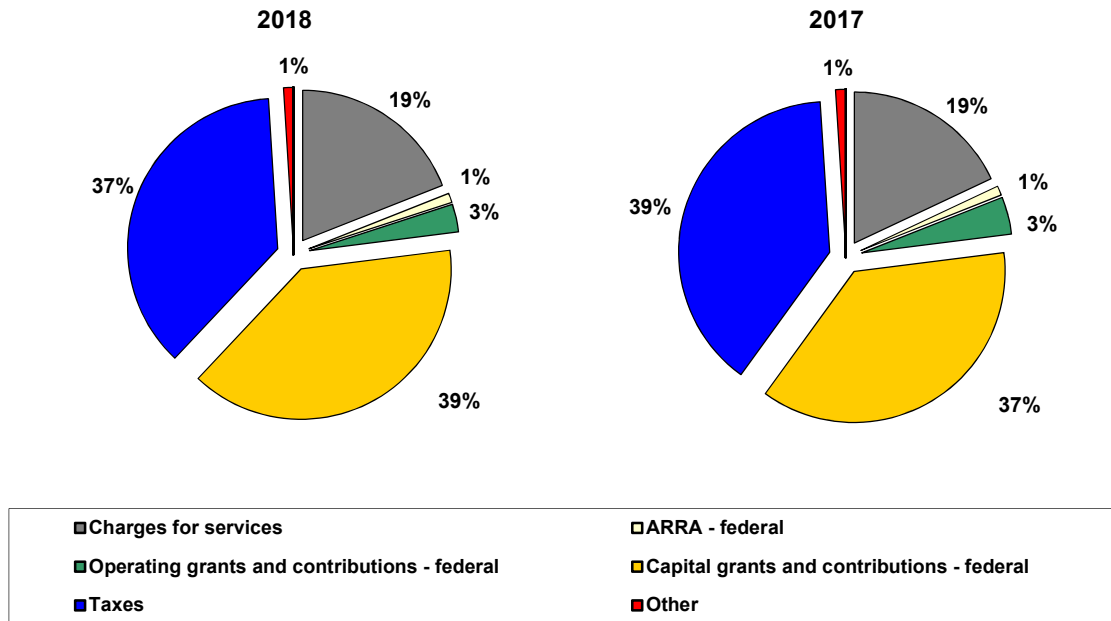
Statements of Activities

The following condensed financial information was derived from the government-wide Statements of Activities and reflects how the Department's net position changed during the year, compared to the prior years. The information is for the fiscal years ended June 30, 2018, 2017 and 2016:

(Amounts in millions)				Percent
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>2018-2017</u>
Revenues				
Program revenues				
Charges for services	\$ 448	\$ 425	\$ 420	5.4%
American Recovery and Reinvestment Act	13	19	18	(31.6)
Operating grants and contributions – federal government	69	78	78	(11.5)
Capital grants and contributions – federal government	949	847	826	12.0
General revenues				
Taxes	900	876	868	2.7
Investment earnings (loss)	9	4	9	125.0
Miscellaneous	<u>2</u>	<u>9</u>	<u>7</u>	<u>(77.8)</u>
Total revenues	<u>2,390</u>	<u>2,258</u>	<u>2,226</u>	<u>5.8</u>
Expenses				
Program expenses				
Administration	9	24	25	(62.5)
Fleet, facilities and information systems	31	29	18	6.9
Maintenance	362	345	329	4.9
Construction	229	210	259	9.0
Multimodal operations	86	101	94	(14.9)
Interest on debt	83	94	104	(11.7)
Other state agencies	225	235	225	(4.3)
Self insurance (workers' compensation and liability)	21	10	22	110.0
Medical and life insurance	144	124	112	16.1
Pension	77	88	78	(12.5)
Other post-employment benefits	38	44	44	(13.6)
Depreciation on assets	<u>531</u>	<u>512</u>	<u>474</u>	<u>3.7</u>
Total expenses	<u>1,836</u>	<u>1,816</u>	<u>1,784</u>	<u>1.1</u>
Changes in net position	<u>554</u>	<u>442</u>	<u>442</u>	<u>25.3</u>
Net position, beginning of year, as previously reported	27,489	27,047	26,605	1.6
Restatement of net position, net OPEB liability	<u>(400)</u>	<u>---</u>	<u>---</u>	<u>100.0</u>
Net position, beginning of year, as restated	<u>27,089</u>	<u>27,047</u>	<u>26,605</u>	<u>0.1</u>
Net position, end of year	<u>\$27,643</u>	<u>\$27,489</u>	<u>\$27,047</u>	<u>0.6%</u>

Governmental Activities

The following chart depicts revenues of the governmental activities, as a percent, for the fiscal years ended June 30, 2018 and 2017:



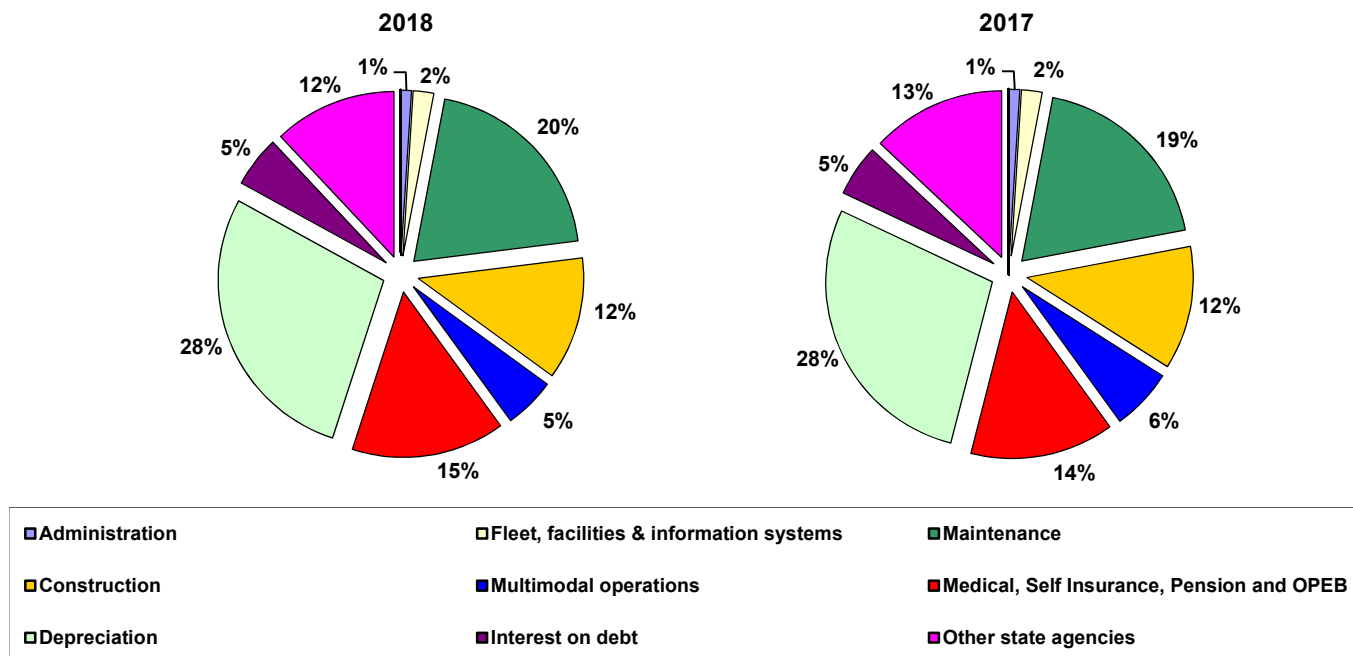
Revenues for the year increased \$132.0 million compared to an increase of \$32.0 million in 2017 from 2016. Federal grants revenue, including capital grants and contributions, increased \$102.0 million from fiscal year 2017. The increase is the timing of reimbursements related to project expenditures and preventative maintenance, as well as an increase in the total number of projects billed due to the increase in contractor awards. The following three revenue sources provided \$2.3 billion, or 96.1 percent, of the Department's revenues:

- Charges for services, including licenses, fees, permits and cost reimbursements: \$448.0 million
- Sales and fuel taxes: \$900.0 million
- Federal Highway Administration capital grants: \$949.0 million

In 2017, these same revenue sources provided \$2.1 billion, or 95.1 percent, of the Department's revenues.

Taxes remained one of the larger portions of revenue for the Department. Taxes overall increased 2.7 percent with sales tax revenues increasing 4.3 percent in fiscal year 2018 from 2017. The primary components of the increase in revenues are federal revenues, discussed above and sales tax receipts.

The following chart depicts expenses of the governmental activities for the fiscal years ended June 30, 2018 and 2017:



Expenses for the year increased \$20.0 million, or 1.1 percent. The overall increase in expenses is in maintenance; construction; medical and life insurance and depreciation on assets. The increase in maintenance is due to costs associated with striping, pavement repairs and replacement of guardrail end terminals. The increase in construction is due to contractor payments increasing as a result of higher contractor awards in fiscal years 2017 and 2018. Medical and life insurance increased due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. In previous years, payments for retiree medical benefits were in administration expenses; however, due to the implementation of GASB 75, those expenses are now shown in the medical and life insurance.

The Department's expenses for construction and maintenance of the state's highway system totaled \$591.0 million and \$555.0 million in 2018 and 2017, respectively. This represents 32.2 percent and 30.6 percent of the total expenses for 2018 and 2017, respectively.

FUND FINANCIAL ANALYSIS

As previously mentioned, the Department uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of highlights from the fund financial statements. The purpose of the Department's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources.

Governmental Funds

At the end of fiscal year 2018, the fund balances of the governmental funds remained the same at \$0.9 billion when compared to fiscal year 2017. This compares to a decrease of \$107.0 million in 2017 from 2016. Revenues from the federal government increased \$95.6 million from 2017. Federal government revenues increased because of federal reimbursement receipts related to project expenditures and preventative maintenance, as well as an increase in the total number of projects billed due to the increase in contractor awards. The Department spent \$28.2 million more in 2018.

State Highways and Transportation Department Fund: The Highway Fund was established by statute to receive revenues derived from the use of state highways. The fund pays the costs incurred to collect revenues received and to administer and enforce state motor vehicle laws and traffic regulations. As shown on the Balance Sheets, the fund ended the fiscal year with assets of \$127.8 million, liabilities of \$9.4 million, deferred inflows of resources \$0.08 million and a restricted fund balance of \$118.3 million. The Constitution requires the balance of funds remaining after other state agency expenditures be transferred to the Road Fund.

As shown on the Statements of Revenues, Expenditures and Changes in Fund Balances of the governmental funds, the Highway Fund had \$731.0 million in revenues, compared to \$716.4 million from 2017. The increase is from higher motor fuel tax and motor vehicle and drivers' license receipts as well as cost reimbursements from local entities. In 2017, revenues were \$9.9 million less than 2016.

State Road Fund: The Road Fund was constitutionally established to receive monies from highway user fees transferred from the Highway Fund, the motor vehicle sales tax, the federal government and other revenues. This is the primary operating fund of the Department and pays to construct, improve and maintain the state highway system and to administer the Commission and the Department. The fund ended the year with assets of \$854.8 million, a decrease of \$2.0 million from 2017. This compares to a decrease in 2017 of \$110.8 million from 2016. Deferred inflows of resources for the fund were \$22.5 million compared to \$23.2 million in fiscal year 2017. Liabilities totaled \$128.8 million, an increase of \$18.8 million from 2017, and fund balances totaled \$703.5 million, a decrease of \$20.1 million from 2017 compared to an decrease of \$105.1 million in 2017 from 2016.

State Road Bond Fund: The Road Bond Fund was constitutionally established to receive monies from the state's motor vehicle sales tax. Monies are used to fund the repayment of bonds issued by the Commission. The fund was established in fiscal year 2006 as a debt service fund. At the end of this fiscal year, total assets were \$64.7 million, compared to \$56.5 million in 2017. The American Recovery and Reinvestment Act of 2009 (ARRA) revenue represents the federal government subsidy received for the Build America Bonds issued in 2010. Sales tax revenue increased \$6.1 million in 2018. Expenditures of the Road Bond Fund were \$182.4 million in 2018 compared to \$180.7 million in 2017.

Proprietary Funds

The Department's internal service funds consist of the MHTC Self Insurance Fund (workers' compensation, fleet liability and general liability) and the MoDOT and MSHP Medical and Life Insurance Plan. The self insurance fund receives premiums from the Department for fleet and general liability claims and from the Department, MSHP and MoDOT and Patrol Employees' Retirement System (MPERS) for workers' compensation claims. The Department, MSHP, MPERS and plan members pay premiums to the medical and life insurance fund.

As shown on the Statements of Net Position – Proprietary Funds, total assets increased \$3.8 million in 2018 compared to an increase of \$0.7 million in 2017. Total current liabilities of the proprietary funds at the end of 2018 were \$48.0 million, an increase of \$0.9 million from 2017. Total pending self insurance claims and incurred but not reported claims decreased \$0.9 million compared to a \$5.6 million decrease in 2017 from 2016.

Total net position of the internal service funds increased at the end of the current fiscal year to \$44.2 million, compared to \$39.6 million in fiscal year 2017. Highway workers' compensation and general liability expenses increased \$11.8 million.

The largest operating expenses of the proprietary funds, medical and prescription drug benefits, totaled \$129.5 million compared to \$128.3 million in 2017. This accounts for 78.5 percent of the total operating expenses, compared to 84.2 percent in 2017. This \$1.2 million increase compares to an \$11.8 million increase in 2017 from 2016. The change in net position of the Self Insurance Fund was a negative \$0.6 million in fiscal year 2018 compared to change in net income of \$11.1 million in fiscal year 2017. The operating loss can be attributed to an increase in highway general liability claims. The change in net position of the medical and life insurance plan was a positive \$5.2 million in fiscal year 2018 compared to a negative change in net position of \$5.6 million in fiscal year 2017. The operating income can be attributed to an increase in the dollar amount of medical premiums and Medicare reimbursement.

Fiduciary Funds

The Department's agency funds are used to account for monies held on behalf of various political subdivisions and other interested parties. These funds act as clearing accounts and thus do not have a net position.

SIGNIFICANT EVENTS FOR THE YEAR ENDED JUNE 30, 2018

In June 2018, the Route 141 at I-44 Improvement Design-Build project costing \$25.0 million was completed. The project improved connections at the Interstate 44/Route 141 interchange, as well as at Route 141 and Vance Road. Construction began in June 2016.

The Poplar Street Ramp project is currently underway with improvements to the eastbound bridge (eastbound I-64 and northbound I-55) over the Mississippi River. Crews are placing a new overlay on the bridge and widening the ramp from northbound I-55 to the bridge. The total project cost is \$54.0 million and is expected to be completed by late fall 2018.

MoDOT will be making safety improvements at 31 locations in Franklin and St. Charles counties. This project, costing \$24.1 million, is being completed using a design-build project delivery method. A variety of safety improvements will be made, including pavement treatments, reflective pavement markers, rumble strips and flashing stop signs. Awarded in May 2017, construction is expected to be completed by December 2018.

MoDOT, along with the city of Washington, Franklin County and Warren County, will replace the deteriorating 1936 Missouri River Bridge located on Route 47. This bridge provides a vital link between Warren County and Franklin County. The project is expected to cost \$69.2 million. In 2014, the project received a \$10.0 million TIGER Grant from the U.S. Department of Transportation. The groundbreaking for the new bridge was in August 2016, and the project schedule calls for construction of the new bridge to be completed by the summer of 2019.

Construction began in the fall 2017 on a new bridge over the Mississippi River, connecting Louisiana, Missouri with the state of Illinois. This new bridge will replace the current bridge that was built in 1928. In 2015, the project received a \$10.0 million Transportation Investment Generating Economic Recovery (TIGER) Grant from the U.S. Department of Transportation. The project was awarded in June 2017. The estimated cost of \$65.0 million will be split between Missouri and Illinois. The new bridge is expected to be completed by November 2019.

The MHTC selected a contractor in December 2017 to design and build improvements to Interstate 435 from Kansas state line to Interstate 49. Construction on the \$74.8 million project began in the summer of 2018 and will last through the spring of 2020. The I-435 corridor was originally constructed in 1966 as a six-lane freeway, and an additional lane was added in phases from 1983 to 1994. Improvements have been made over the past 20 years by both MoDOT and the Kansas Department of Transportation, but overall this corridor has been left virtually unchanged. This project will address congestion as well as the aging bridges. The project is expected to be completed in late spring of 2020.

In fiscal year 2018, the construction award amount was less than the budgeted amount as it was in fiscal years 2017, 2016 and 2015. The Department has successfully used a variety of innovations, which focus on getting the most value for each tax dollar, to minimize the impacts of rising costs. These innovations include:

- practical design, governed by three ground rules – safety, communication and quality – delivers “good” projects everywhere, instead of “perfect” projects somewhere;
- value engineering, a systematic process to review and provide recommendations to improve value while addressing the project’s purpose and need;
- alternate bidding of materials on specific projects;
- alternate technical concepts allowing the bidder to propose design changes with bid submittal; and
- packaging of bids to increase competition among bidders.

The Department is recognized nationally by other departments of transportation for its performance management system and practical design efforts. In fact, the Federal Highway Administration has acknowledged the Department’s performance management system as a noteworthy practice because it achieves accountability and transparency, aligns performance measures and strategic goals and is an outcome-based performance management tool.

CAPITAL ASSETS AND LONG-TERM OBLIGATION ADMINISTRATION

Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2018, totals \$55.9 billion, with accumulated depreciation of \$25.5 billion and a net value of \$30.4 billion. The net value represents an increase of \$302.8 million from fiscal year 2017, compared to an increase of \$179.8 million in 2017 from 2016. These assets are summarized in the table below. Additional information about the Department's capital assets is presented in the Notes to the Financial Statements.

(Amounts in millions)				Percent Change 2018-2017
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
Land and permanent easements	\$ 2,634	\$ 2,636	\$ 2,642	(0.1)%
Software in progress	5	3	4	66.7
Construction in progress	14	17	11	(17.6)
Infrastructure in progress	1,550	1,479	1,405	4.8
Land improvements	14	15	16	(6.7)
Buildings	150	149	154	0.7
Software	9	9	7	---
Vehicles and equipment	206	198	188	4.0
Temporary easements	1	1	1	---
Infrastructure	<u>25,813</u>	<u>25,587</u>	<u>25,486</u>	<u>0.9</u>
Total	\$ <u>30,396</u>	\$ <u>30,094</u>	\$ <u>29,914</u>	<u>1.0</u> %

As provided by generally accepted accounting principles (GAAP), the Department records its infrastructure assets at actual or estimated historical cost. Included in infrastructure are 33,859 miles of highways and 10,385 bridges that the Department is responsible for maintaining.

The Statewide Transportation Improvement Program (STIP) sets the specific construction projects the Department will undertake in the next five years. It covers highways and bridges, transit, aviation, rail, waterways, enhancements and other projects. The program, updated annually, is dynamic with adjustments made to project plans during the life of the STIP based on needs and goals of the Department. The Commission approves amendments during the fiscal year as circumstances require.

Long-Term Obligation Administration

The following table presents a summary of the Department's long-term obligations for governmental activities. Additional information about the Department's long-term obligations is presented in the Notes to the Financial Statements.

(Amounts in millions)				Percent Change 2018-2017
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
State road bonds	\$1,832	\$2,032	\$2,341	(9.8)%
Premium on bonds	104	134	167	(22.4)
Advances from other entities	1	1	1	---
Capital lease obligations*	---	---	---	---
Compensated absences	33	33	32	---
Other liabilities	<u>2</u>	<u>1</u>	<u>13</u>	(100.0)
Total obligations	1,972	2,201	2,554	(10.4)
Current portion of obligations	<u>234</u>	<u>221</u>	<u>224</u>	<u>5.9</u>
Total noncurrent obligations	\$ <u>1,738</u>	\$ <u>1,980</u>	\$ <u>2,330</u>	<u>(12.2)</u> %

*Due to rounding, capital lease obligations do not show on this table.

The Department's total noncurrent obligations, excluding pending self insurance claims, incurred but unreported claims, pension and other post-employment benefit obligations decreased \$242.0 million from 2017, compared to a decrease of \$350.0 million in 2017 from 2016. At the end of the current fiscal year, state road bonds total \$1.8 billion, or 92.9 percent, of the total obligations. Revenues collected under Article IV, Section 30(a) and (b) of the Missouri Constitution and revenues collected from federal highway reimbursements secure the bonds. These revenues are state highway user fees, including fuel taxes, sales taxes, licenses and fees and federal highway reimbursements. Principal payments are due on various dates through fiscal year 2033.

The advances from other entities are related to construction projects accelerated to meet the needs of the users. Principal payments are due on various dates through fiscal year 2021.

The Department has entered into various capital lease obligations totaling \$36.8 thousand in fiscal year 2018. The lease agreements provide a means of financing office equipment. Capital lease payments mature on various dates through fiscal year 2020.

RECENT EVENTS AND FUTURE BUDGETS

The Department's fiscal year 2019 budget for all funds was approved by the Legislature in May 2018 and signed into law by the Governor in June 2018. The fund level is the legal level of control for the State Road Fund, with approval of the State Road Fund budget by the Commission. The Commission approved the budget for all funds in June 2018, with a total spending plan of \$2.3 billion. The fiscal year 2019 budget is more than the fiscal year 2018 budget. Program funds over the next several years will continue to focus on taking care of the existing transportation system.

In December 2015, Congress passed the Fixing America's Surface Transportation (FAST) Act, which is a five-year, \$305.0 billion transportation bill for the nation's transportation projects. Prior to the FAST Act, Congress had not passed a long-term highway authorization act since 2005. The FAST Act is funded with receipts into the Highway Trust Fund, a transfer of \$24.0 billion from the General Fund and additional funding offsets to pay for the bill. Despite the good news of a five-year transportation bill, Congress still needs to work on a long-term source of transportation revenue to support the nation's infrastructure needs.

Annually, the Department prepares a financial forecast that is used to develop its STIP. The financial forecast for the 2019-2023 STIP projected higher state revenues. In addition, the passage of the FAST Act created federal funding stability and reduced the federal reimbursement risk which all state departments of transportation were facing. MoDOT's 2019-2023 STIP presents a multi-year plan that uses available cash balances to meet current federal funding investment levels. The result is an increase in construction awards. Even with the higher contractor awards, the funds available will be focused primarily on maintaining the current transportation system. This means more maintenance-related activities like resurfacing and bridge repair projects rather than expansion projects. The financial forecast will be refreshed in the fall and will determine the projected awards for the upcoming years.

The STIP further illustrates the downturn in MoDOT's construction budget which peaked at \$1.3 billion in 2009. In fiscal year 2019, construction awards are projected to be \$900.0 million. In November 2018, Missourians will have a chance to vote on a 10 cent motor fuel tax increase that will be dedicated for the enforcement of motor vehicle laws by the Missouri State Highway Patrol. If this increase in the motor fuel tax passes, some current revenues could be redirected to state road and bridge projects. The fuel tax will be phased in over four years.

ECONOMIC CONDITIONS

The current economic environment presents government entities, including state transportation departments, with challenges. Consumer sentiment indices have shown an increase in consumer confidence. The unemployment rate in Missouri continues to be lower than the previous year. Even though these economic indicators show an improved economy, a certain amount of uncertainty exists as to the sustainability of the growth from the three primary state revenue sources for transportation. The bidding environment for fiscal year 2017 was favorable and continued to be so in fiscal year 2018. During the previous five fiscal years, 2014-2018, 1,947 highway and bridge construction projects estimated at \$3.7 billion were awarded for \$3.5 billion, a 5.4 percent difference.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Missouri Department of Transportation's interested parties, including citizens, taxpayers, customers, investors and creditors, with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to the Missouri Department of Transportation, Financial Services Division, P.O. Box 270, Jefferson City, MO 65102. This report is also included in the Report to the Joint Committee on Transportation Oversight and is available on the Department's website at www.modot.org.



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Government-wide Financial Statements

Statements of Net Position

June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 731,019,253	\$ 735,838,760
Investments	12,517,039	7,553,550
Restricted cash and investments	67,848,500	67,826,250
State taxes and fees receivables	151,966,816	143,508,731
Federal government receivables	86,334,946	78,502,569
Miscellaneous receivables, net	23,530,367	20,546,436
Loans receivable	297,287	350,320
Inventories	33,738,446	38,789,753
Total current assets	<u>1,107,252,654</u>	<u>1,092,916,369</u>
Noncurrent assets		
Investments	114,642,214	112,139,409
Restricted cash and investments	---	200,000
Miscellaneous receivables, net	4,935,500	6,091,519
Loans receivable	1,160,394	757,249
Capital assets		
Assets not being depreciated	4,203,144,527	4,135,075,767
Assets being depreciated, net	<u>26,193,311,608</u>	<u>25,958,562,127</u>
Total noncurrent assets	<u>30,517,194,243</u>	<u>30,212,826,071</u>
Total assets	<u>31,624,446,897</u>	<u>31,305,742,440</u>
Deferred Outflows of Resources		
Bond refunding	38,886,363	52,372,552
Pension related items	133,661,864	167,393,101
Other post-employment benefits obligation	17,146,161	---
Total deferred outflows of resources	<u>189,694,388</u>	<u>219,765,653</u>
Liabilities		
Current liabilities		
Accounts payable	119,763,362	104,236,351
Accrued payroll	25,251,561	27,335,613
Accrued interest payable	16,682,892	19,411,065
Deposits	1,378,015	1,691,290
Unearned revenue	15,237,707	15,110,108
Pending self insurance claims	18,800,000	18,554,000
Incurred but not reported claims	17,945,000	17,513,000
Financing and other obligations	<u>234,170,602</u>	<u>221,452,019</u>
Total current liabilities	<u>449,229,139</u>	<u>425,303,446</u>
Noncurrent liabilities		
Pending self insurance claims	44,352,727	45,911,362
Incurred but not reported claims	12,846,000	12,898,000
Net pension liability	1,012,417,855	1,097,719,514
Other post-employment benefits obligation	776,186,564	430,230,759
Financing and other obligations	<u>1,737,952,659</u>	<u>1,979,277,591</u>
Total noncurrent liabilities	<u>3,583,755,805</u>	<u>3,566,037,226</u>
Total liabilities	<u>4,032,984,944</u>	<u>3,991,340,672</u>
Deferred Inflows of Resources		
Pension related items	45,436,673	44,963,490
Other post-employment benefits obligation	92,069,174	---
Total deferred inflows of resources	<u>137,505,847</u>	<u>44,963,490</u>
Net Position		
Net investment in capital assets	28,498,201,439	27,978,519,641
Restricted for:		
Internal service fund requirements	300,000	300,000
Unrestricted	<u>(854,850,945)</u>	<u>(489,615,710)</u>
Total net position	<u>\$27,643,650,494</u>	<u>\$27,489,203,931</u>

The notes to the financial statements are an integral part of these statements.

Statements of Activities

Years Ended June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Transportation Program Expenses		
Administration	\$ 8,890,235	\$ 24,255,235
Fleet, facilities and information systems	30,820,207	28,960,762
Maintenance	362,107,089	345,806,713
Construction	229,248,197	210,251,946
Multimodal operations	86,223,757	100,952,203
Interest	82,921,447	93,642,644
Other state agencies	224,811,159	234,614,300
Self insurance	21,315,167	9,670,509
Medical and life insurance	143,636,947	123,667,664
Pension	76,745,655	87,675,310
Other post-employment benefits	38,288,726	43,615,470
Depreciation	531,288,925	512,939,543
Total transportation program expenses	1,836,297,511	1,816,052,299
Transportation Program Revenues		
Charges for services		
Licenses, fees and permits	314,073,845	304,982,410
Intergovernmental/cost reimbursements/miscellaneous	87,170,861	74,793,721
Interest	---	31,360
Member insurance premiums	47,072,328	44,802,994
Total charges for services	448,317,034	424,610,485
Federal government		
American Recovery and Reinvestment Act	12,617,400	19,449,388
Operating	69,464,632	78,484,273
Capital	949,144,750	847,191,182
Total federal government	1,031,226,782	945,124,843
Total transportation program revenues	1,479,543,816	1,369,735,328
Net expense of transportation program	(356,753,695)	(446,316,971)
General Revenues		
Fuel taxes	521,272,831	512,713,475
Sales taxes	378,765,103	363,278,972
Unrestricted investment earnings (loss)	8,661,491	3,853,491
State appropriations	13,911,843	22,136,245
Gain (loss) on sale of capital assets	(11,674,757)	(13,028,301)
Total general revenues	910,936,511	888,953,882
Changes in Net Position	554,182,816	442,636,911
Net Position, beginning of year, as previously reported	27,489,203,931	27,046,567,020
Restatement of net position, net other post-employment benefits liability	(399,736,253)	---
Net Position, beginning of year, as restated	27,089,467,678	27,046,567,020
Net Position, end of year	\$ 27,643,650,494	\$ 27,489,203,931

The notes to the financial statements are an integral part of these statements.



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Fund Financial Statements

Balance Sheets

Governmental Funds

June 30, 2018 and 2017

	2018				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,935,418	\$628,869,859	\$47,163,389	\$19,113,882	\$ 712,082,548
State taxes and fees receivables	109,975,245	23,479,267	17,395,311	1,116,993	151,966,816
Federal government receivables	---	81,378,611	---	4,956,335	86,334,946
Miscellaneous receivables, net	910,354	19,621,058	148,497	4,833,296	25,513,205
Loans receivable	---	---	---	1,457,681	1,457,681
Due from other funds	---	130,552	---	---	130,552
Inventories	---	33,738,446	---	---	33,738,446
Restricted cash and investments	---	67,548,500	---	---	67,548,500
Total assets	\$127,821,017	\$854,766,293	\$64,707,197	\$31,478,187	\$1,078,772,694
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 1,500,843	\$105,859,126	\$ ---	\$10,891,330	\$ 118,251,299
Accrued payroll	7,925,701	17,212,780	---	113,080	25,251,561
Deposits	---	1,378,015	---	---	1,378,015
Unearned revenue	---	4,305,682	---	1,195,326	5,501,008
Due to other funds	---	---	---	130,552	130,552
Total liabilities	9,426,544	128,755,603	---	12,330,288	150,512,435
Deferred Inflows of Resources					
Deferred Revenues	77,589	22,532,259	---	38,923	22,648,771
Total deferred inflows of resources	77,589	22,532,259	---	38,923	22,648,771
Fund balances					
Nonspendable – inventories	---	33,738,446	---	---	33,738,446
Unassigned	---	---	---	(328,395)	(328,395)
Restricted – highways and transportation	118,316,884	669,739,985	64,707,197	19,437,371	872,201,437
Total fund balances	118,316,884	703,478,431	64,707,197	19,108,976	905,611,488
Total liabilities, deferred inflows of resources and fund balances	\$127,821,017	\$854,766,293	\$64,707,197	\$31,478,187	\$1,078,772,694

2017

State Highways
and
Transportation
Department
Fund

State Road
Fund

State
Road Bond
Fund

Nonmajor
Governmental
Funds

Total
Governmental
Funds

\$ 8,143,621	\$642,302,876	\$41,222,315	\$21,485,089	\$ 713,153,901
107,226,800	20,518,821	15,230,435	532,675	143,508,731
---	67,250,884	---	11,251,685	78,502,569
875,534	20,125,762	75,488	2,680,502	23,757,286
---	---	---	1,107,569	1,107,569
---	41,899	---	---	41,899
---	38,789,753	---	---	38,789,753
---	67,726,250	---	---	67,726,250
<u>\$116,245,955</u>	<u>\$856,756,245</u>	<u>\$56,528,238</u>	<u>\$37,057,520</u>	<u>\$1,066,587,958</u>

\$ 1,561,605	\$ 85,717,310	\$ ---	\$14,884,213	\$ 102,163,128
10,249,323	16,969,618	---	116,672	27,335,613
---	1,691,290	---	---	1,691,290
---	5,587,783	---	521,539	6,109,322
---	---	---	41,899	41,899
<u>11,810,928</u>	<u>109,966,001</u>	<u>---</u>	<u>15,564,323</u>	<u>137,341,252</u>
<u>721,293</u>	<u>23,242,236</u>	<u>---</u>	<u>38,312</u>	<u>24,001,841</u>
<u>721,293</u>	<u>23,242,236</u>	<u>---</u>	<u>38,312</u>	<u>24,001,841</u>
---	38,789,753	---	---	38,789,753
---	---	---	---	---
<u>103,713,734</u>	<u>684,758,255</u>	<u>56,528,238</u>	<u>21,454,885</u>	<u>866,455,112</u>
<u>103,713,734</u>	<u>723,548,008</u>	<u>56,528,238</u>	<u>21,454,885</u>	<u>905,244,865</u>
<u>\$116,245,955</u>	<u>\$856,756,245</u>	<u>\$56,528,238</u>	<u>\$37,057,520</u>	<u>\$1,066,587,958</u>

The notes to the financial statements are an integral part of these statements.



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Reconciliation of the Governmental Funds Balance Sheets to the Statements of Net Position

Governmental Funds

June 30, 2018 and 2017

	Total	
	2018	2017
Fund balances – total governmental funds	\$ 905,611,488	\$ 905,244,865
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets, net of accumulated depreciation of \$25,534,865,106 and \$25,090,765,397 in 2018 and 2017, respectively, used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	30,396,456,135	30,093,637,894
Amounts resulting from the difference calculated between the reacquisition price and the net carrying amount of refunded bonds, reported as deferred outflows of resources, are not reported in the funds.	38,886,363	52,372,552
Some revenue will be collected after the availability period and is deferred in the fund statements; however, it is recognized in the government-wide statements.	22,648,771	24,001,841
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included only in the statements of net assets.		
Medical and life insurance plan	19,271,757	14,091,091
Self insurance plan	24,884,374	25,517,025
Certain changes in the net pension liability and other post-employment benefits liability are amortized over time and are not reported in the funds.	13,302,178	122,429,611
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Financing and other obligations	(1,972,123,261)	(2,200,729,610)
Net pension liability	(1,012,417,855)	(1,097,719,514)
Other post-employment benefits obligations	(776,186,564)	(430,230,759)
Accrued interest payable	(16,682,892)	(19,411,065)
Total net position – governmental activities	\$ 27,643,650,494	\$ 27,489,203,931

Statements of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Years Ended June 30, 2018 and 2017

	2018				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Fuel taxes	\$520,888,087	\$ 124,213	\$ ---	\$ 260,531	\$ 521,272,831
Sales taxes	1,595,140	179,985,720	184,927,517	12,256,726	378,765,103
Licenses, fees and permits	205,368,456	106,029,014	---	2,675,764	314,073,234
Intergovernmental/cost reimbursements/miscellaneous	2,594,489	72,222,437	---	2,205,696	77,022,622
Investment earnings	580,115	6,901,157	930,421	141,146	8,552,839
American Recovery and Reinvestment Act	---	7,908,228	4,709,172	---	12,617,400
State government	---	---	---	13,911,843	13,911,843
Federal government	---	950,129,366	---	69,464,632	1,019,593,998
Total revenues	<u>731,026,287</u>	<u>1,323,300,135</u>	<u>190,567,110</u>	<u>100,916,338</u>	<u>2,345,809,870</u>
Expenditures					
Current					
Administration	---	55,773,133	---	---	55,773,133
Fleet, facilities and information systems	---	40,277,834	---	---	40,277,834
Maintenance	---	458,697,895	---	16,215,816	474,913,711
Construction	---	283,592,613	---	---	283,592,613
Multimodal operations	---	856,107	---	86,596,022	87,452,129
Capital outlay	---	854,430,557	---	440,372	854,870,929
Debt service	---	120,122,190	182,388,151	---	302,510,341
Other state agencies	255,141,563	---	---	---	255,141,563
Total expenditures	<u>255,141,563</u>	<u>1,813,750,329</u>	<u>182,388,151</u>	<u>103,252,210</u>	<u>2,354,532,253</u>
Excess of revenues over (under) expenditures	<u>475,884,724</u>	<u>(490,450,194)</u>	<u>8,178,959</u>	<u>(2,335,872)</u>	<u>(8,722,383)</u>
Other Financing Sources (Uses)					
Capital leases issued	---	---	---	---	---
Capital asset sales	---	9,087,356	---	1,650	9,089,006
Transfers in	---	461,293,261	---	---	461,293,261
Transfers out	(461,281,574)	---	---	(11,687)	(461,293,261)
Total other financing sources (uses)	<u>(461,281,574)</u>	<u>470,380,617</u>	<u>---</u>	<u>(10,037)</u>	<u>9,089,006</u>
Net Changes in Fund Balances	14,603,150	(20,069,577)	8,178,959	(2,345,909)	366,623
Fund Balances, beginning of year	<u>103,713,734</u>	<u>723,548,008</u>	<u>56,528,238</u>	<u>21,454,885</u>	<u>905,244,865</u>
Fund Balances, end of year	<u>\$118,316,884</u>	<u>\$ 703,478,431</u>	<u>\$ 64,707,197</u>	<u>\$ 19,108,976</u>	<u>\$ 905,611,488</u>

The notes to the financial statements are an integral part of these statements.

2017

State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$512,345,751	\$ 109,012	\$ ---	\$ 258,712	\$ 512,713,475
1,770,005	174,035,516	178,800,852	8,672,599	363,278,972
198,945,776	103,623,543	---	2,431,986	305,001,305
3,045,166	58,668,068	---	1,658,752	63,371,986
337,239	2,736,949	407,261	83,042	3,564,491
---	7,899,747	4,972,274	6,577,367	19,449,388
---	---	---	22,136,245	22,136,245
---	845,485,480	---	78,484,273	923,969,753
<u>716,443,937</u>	<u>1,192,558,315</u>	<u>184,180,387</u>	<u>120,302,976</u>	<u>2,213,485,615</u>
---	50,824,538	---	---	50,824,538
---	38,271,681	---	---	38,271,681
---	437,676,643	---	18,786,939	456,463,582
---	278,780,555	---	---	278,780,555
---	795,061	---	101,348,830	102,143,891
---	710,606,260	---	573,781	711,180,041
---	245,308,732	180,653,399	---	425,962,131
<u>262,666,213</u>	---	---	---	<u>262,666,213</u>
<u>262,666,213</u>	<u>1,762,263,470</u>	<u>180,653,399</u>	<u>120,709,550</u>	<u>2,326,292,632</u>
<u>453,777,724</u>	<u>(569,705,155)</u>	<u>3,526,988</u>	<u>(406,574)</u>	<u>(112,807,017)</u>
---	16,580	---	---	16,580
---	5,436,363	---	5,613	5,441,976
---	459,141,076	---	---	459,141,076
<u>(459,141,076)</u>	---	---	---	<u>(459,141,076)</u>
<u>(459,141,076)</u>	<u>464,594,019</u>	---	<u>5,613</u>	<u>5,458,556</u>
(5,363,352)	(105,111,136)	3,526,988	(400,961)	(107,348,461)
<u>109,077,086</u>	<u>828,659,144</u>	<u>53,001,250</u>	<u>21,855,846</u>	<u>1,012,593,326</u>
<u>\$103,713,734</u>	<u>\$ 723,548,008</u>	<u>\$ 56,528,238</u>	<u>\$ 21,454,885</u>	<u>\$ 905,244,865</u>

The notes to the financial statements are an integral part of these statements.



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Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net changes in fund balances – total governmental funds	\$ 366,623	\$(107,348,461)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and donated assets (\$854,870,929 and \$711,180,041 for 2018 and 2017, respectively) exceed depreciation (\$531,288,925 and \$512,939,543 for 2018 and 2017, respectively) in the current period.	323,582,004	198,240,498
In the statements of activities, only the loss on the sale of the assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.	(20,763,763)	(18,470,277)
Certain revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(1,353,070)	4,818,822
Certain pension and OPEB related expenses, not applicable to the current period, are not reported in the governmental funds.	144,989,056	128,029,220
Proceeds from the issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	200,236,710	308,633,104
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(177,999)	(1,144,075)
Interest expense recognition	19,355,021	23,669,803
Claims and judgments	(1,561,400)	12,931,500
Pension expense	(76,745,655)	(87,675,310)
Other post-employment benefits obligations	(38,288,726)	(24,548,746)
Pollution remediation obligations	(4,000)	---
Internal service funds are used by management for the medical and life insurance plan and the self insurance plan. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
Medical and life insurance plan	5,180,666	(5,608,650)
Self insurance plan	<u>(632,651)</u>	<u>11,109,483</u>
Changes in net position – governmental activities	<u>\$ 554,182,816</u>	<u>\$ 442,636,911</u>

Statements of Net Position

Proprietary Funds

June 30, 2018 and 2017

	<u>Internal Service Funds</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 18,936,705	\$ 22,684,859
Investments	12,517,039	7,553,551
Restricted investments	300,000	100,000
Miscellaneous receivables	<u>2,952,662</u>	<u>2,880,669</u>
Total current assets	<u>34,706,406</u>	<u>33,219,079</u>
Noncurrent assets		
Investments	114,642,214	112,139,408
Restricted investments	<u>---</u>	<u>200,000</u>
Total noncurrent assets	<u>114,642,214</u>	<u>112,339,408</u>
Total assets	<u>149,348,620</u>	<u>145,558,487</u>
Liabilities		
Current liabilities		
Accounts payable	1,512,063	2,073,223
Unearned revenue	9,736,699	9,000,786
Pending self insurance claims	18,800,000	18,554,000
Incurred but not reported claims	<u>17,945,000</u>	<u>17,513,000</u>
Total current liabilities	<u>47,993,762</u>	<u>47,141,009</u>
Noncurrent liabilities		
Pending self insurance claims	44,352,727	45,911,362
Incurred but not reported claims	<u>12,846,000</u>	<u>12,898,000</u>
Total noncurrent liabilities	<u>57,198,727</u>	<u>58,809,362</u>
Total liabilities	<u>105,192,489</u>	<u>105,950,371</u>
Net Position		
Restricted net position	300,000	300,000
Unrestricted net position	<u>43,856,131</u>	<u>39,308,116</u>
Total net position	<u>\$ 44,156,131</u>	<u>\$ 39,608,116</u>

Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Years Ended June 30, 2018 and 2017

	Internal Service Funds	
	2018	2017
Operating Revenues		
Self insurance premiums		
Highway workers' compensation	\$ 6,000,000	\$ 6,000,000
Highway patrol workers' compensation	2,400,000	2,400,000
Highway fleet vehicle liability	1,400,000	1,400,000
Highway general liability	10,500,000	10,500,000
Medical insurance premiums		
State	91,005,733	83,984,937
Member	47,072,328	44,802,994
Other	<u>10,986,553</u>	<u>8,497,092</u>
Total operating revenues	<u>169,364,614</u>	<u>157,585,023</u>
Operating Expenses		
Self insurance programs		
Highway workers' compensation	7,120,556	7,675,779
Highway patrol workers' compensation	3,585,391	2,288,997
Highway fleet vehicle liability	1,142,855	2,368,566
Highway general liability	8,331,203	(4,025,947)
Other	1,135,162	1,363,114
Medical and life insurance program		
Insurance premiums	7,238,950	7,225,156
Medical benefits	99,507,539	100,182,279
Prescription drug benefits	30,038,517	28,139,622
Professional fees	950,162	1,089,654
Administrative services	<u>5,901,779</u>	<u>6,097,677</u>
Total operating expenses	<u>164,952,114</u>	<u>152,404,897</u>
Operating income (loss)	<u>4,412,500</u>	<u>5,180,126</u>
Nonoperating Revenues		
Net appreciation and investment income	<u>135,515</u>	<u>320,707</u>
Total nonoperating revenues	<u>135,515</u>	<u>320,707</u>
Changes in Net Position	4,548,015	5,500,833
Net Position, beginning of year	<u>39,608,116</u>	<u>34,107,283</u>
Net Position, end of year	<u>\$ 44,156,131</u>	<u>\$ 39,608,116</u>

The notes to the financial statements are an integral part of these statements.

Statements of Cash Flows

Proprietary Funds

Years Ended June 30, 2018 and 2017

	Internal Service Funds	
	2018	2017
Cash Flows From Operating Activities		
Receipts from interfund services provided	\$ 169,376,613	\$ 157,751,403
Payments for interfund services used	(157,161,733)	(148,584,666)
Payments to suppliers	(8,548,263)	(8,586,230)
Net cash provided by (used in) operating activities	<u>3,666,617</u>	<u>580,507</u>
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investments	31,600,406	49,789,659
Purchases of investments	(41,644,242)	(51,759,229)
Interest received	2,754,461	2,437,552
Investment fees	(125,395)	(121,210)
Net cash provided by (used in) investing activities	<u>(7,414,770)</u>	<u>346,772</u>
Net increase (decrease) in cash and cash equivalents	(3,748,153)	927,279
Cash and Cash Equivalents, beginning of year	<u>22,684,859</u>	<u>21,757,580</u>
Cash and Cash Equivalents, end of year	<u>\$ 18,936,706</u>	<u>\$ 22,684,859</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 4,412,500	\$ 5,180,126
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Receivables	11,999	166,380
Accounts and claims payable	(1,493,795)	(5,605,781)
Unearned revenue	735,913	839,782
Net cash provided by (used in) operating activities	<u>\$ 3,666,617</u>	<u>\$ 580,507</u>
Noncash Items Impacting Recorded Assets		
Increase (decrease) in fair value of investments	<u>\$ (2,577,542)</u>	<u>\$ (2,044,174)</u>

Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2018 and 2017

	Agency Funds	
	<u>2018</u>	<u>2017</u>
Assets		
Restricted cash and cash equivalents	\$38,479,826	\$ 39,915,420
Other	<u>13,437</u>	<u>5,299</u>
Total assets	<u>\$38,493,263</u>	<u>\$39,920,719</u>
Liabilities		
Due to other governments	\$ 8,104,304	\$ 4,726,459
Advances from other governments	<u>30,388,959</u>	<u>35,194,260</u>
Total liabilities	<u>\$38,493,263</u>	<u>\$39,920,719</u>



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Notes to the Financial Statements



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Note 1: Summary of Significant Accounting Policies

The State Highway Department was created in 1913 to act as the agent of the state of Missouri (the state) for public roads. The State Highway Commission was created in 1921 with the passage of the Centennial Road Law and was charged with the administration of the network of connecting state highways, including their location, design, construction and maintenance.

In 1979, Missouri voters passed a constitutional amendment merging the State Highway Department with the Department of Transportation. By statute, the resulting department was named the Missouri Highways and Transportation Department. The constitutional amendment gave the Highways and Transportation Commission (the MHTC or Commission) the authority over all state transportation programs and facilities. The Commission is a bipartisan body of six members appointed by the Governor, with the consent of the Senate, for a term of six years. In 1996, by legislative action, the Missouri Highways and Transportation Department became the Missouri Department of Transportation (MoDOT or Department).

In 2002, several functions from other state agencies were combined with MoDOT. This consolidation was the result of legislative action and the Governor's Executive Order, which created the "One-Stop Shop" for motor carrier services (MCS), railroad operators and overdimension and overweight permitting. In 2003, by Governor's Executive Order, the Division of Highway Safety was transferred from the Department of Public Safety to MoDOT. Legislation passed in 2014 to recognize that 2003 reorganization, transferring all the authority, powers, duties, and functions of the Division of Highway Safety relating to the motorcycle safety program, the driver improvement program, the ignition interlock program, and other state highway safety programs from the Department of Public Safety to the Commission and Department. In 2006, the unit that audits motor carrier operators was transferred to MoDOT from the Department of Revenue. This unit is responsible for auditing International Fuel Tax Agreement tax returns and International Registration Plan applications.

(A) Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended by GASB Statements 39, 61, and 80, establishes the criteria to be used for defining primary governments, component units and related organizations. The Department does not meet the GASB's criteria to be reported as its own primary government or other stand-alone government and is part of the primary government of the state. Like other state agencies, the Department is included in the financial statements of the state. These financial statements report the funds from which MoDOT spends; therefore, these financial statements do not purport to, and do not present fairly the financial position of the State of Missouri and the changes in its financial position and cash flows, where applicable. The nonmajor Multimodal Fund includes only MoDOT appropriations from the state's General fund. The nonmajor MCS Federal Fund is the Motor Carrier Safety Assistance Program.

Certain legally separate organizations are involved in transportation-related projects, such as the Missouri Transportation Finance Corporation (MTFC) and other transportation corporations. Although these organizations cooperate with the Department to meet their objectives and are included in the financial statements of the state as blended or discretely presented component units, they are not part of the Department's defined reporting entity.

The state's Comprehensive Annual Financial Report may be obtained by writing to the state of Missouri, Office of Administration, Division of Accounting, P. O. Box 809, Jefferson City, MO 65102, or may be accessed online at www.oa.mo.gov/acct.

(B) Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

The government-wide statements of net position and statements of activities report the overall financial activities of the Department, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The financial activities of the Department consist only of governmental activities, which are primarily supported by state taxes and intergovernmental revenues.

The Department administers a single program – transportation. The statements of activities demonstrate the degree to which the direct expenses of that function are offset by program revenues. Direct expenses are those that are clearly identifiable with the function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of the program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the Department's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department reports the following governmental funds:

State Highways and Transportation Department Fund (Highway Fund) – This special revenue fund was established by Section 226.200, Revised Statutes of Missouri (RSMo.) to receive revenues derived from the use of state highways. This fund pays the costs incurred to collect that revenue, to administer and enforce any state motor vehicle laws or traffic regulations and to provide other related functions.

State Road Fund (Road Fund) – This special revenue fund was constitutionally established to receive monies from the state's motor vehicle sales tax, the federal government, transfers from the Highway Fund and other related revenues. Disbursements consist of costs incurred to construct, improve and maintain the state highway system and for debt service payments.

State Road Bond Fund – This debt service fund was constitutionally established to receive monies from the state's motor vehicle sales tax. Monies are used for the repayment of bonds issued by the Commission to fund the construction and reconstruction of the state highway system or for refunded bonds.

Nonmajor Funds – The remaining funds are considered nonmajor. They are special revenue funds, which account for grants and other resources whose use is restricted for a particular purpose.

The Department reports the following additional fund types:

Internal Service Funds – These proprietary funds account for the financing of services provided to other funds within the Department and other participating agencies on a cost-reimbursement basis. These funds are used to account for medical and life insurance coverage and self insurance activities. Department activity comprises the majority of these funds. These funds are included in the government-wide statements by eliminating off-setting revenues and expenses.

Agency Funds – These fiduciary funds account for monies held on behalf of various political subdivisions and other interested parties and will be used to reimburse the Department for expenditures incurred by the Department on behalf of the previously mentioned parties and to collect and administer registration, license fees and fuel taxes payable to various states and Canadian provinces. These funds are not included in the government-wide statements, because they are held on behalf of various political subdivisions and other interested parties, and they are not available for Department use.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

1. Government-wide Financial Statements

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange include fuel taxes, sales taxes, Medicare Part D gap coverage federal subsidies, grants, entitlements and donations. On an accrual basis, revenues from fuel taxes and sales taxes are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenues from Medicare Part D gap coverage, based on the current funding levels from the federal government, are recognized in the fiscal year in which the revenue-generating transactions occur. Because potential retroactive adjustments to the federal subsidies are not measurable, revenue impacts are recognized in the fiscal period in which adjustments are made by the federal government. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

2. Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, all revenue sources are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department, consistent with the state of Missouri, considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are recorded as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The Department's operating revenues and expenses generally result from providing services in connection with the internal service funds' principal ongoing operations. The principal operating revenues are charges for insurance premiums. Operating expenses include self insurance claims, benefits claims, insurance premiums and administrative expenses. Investment income is reported as nonoperating revenue.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as needed.

(D) Financial Statement Element Attributes

1. Cash and Cash Equivalents and Investments

Cash and cash equivalents include:

- Cash
- Repurchase agreements, which are investments with original maturities of three months or less
- Pooled monies, including pooled investments, with the State Treasurer's Office

Investments are valued at fair value.

2. Inventories

Inventories, primarily consisting of maintenance materials, are valued at cost using the weighted average method. Inventories are recorded in the governmental funds as expenditures when consumed rather than when purchased.

3. Interfund Transactions

The Department reports the following types of interfund transactions:

Interfund services provided and used – This consists of sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. This internal activity is included in the government-wide statements by eliminating off-setting revenues and expenses.

Transfers – This consists of flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

4. Capital Assets

Capital assets, such as land, buildings, equipment and infrastructure assets, are reported at cost (or estimated historical cost) as governmental activities in the government-wide financial statements. Infrastructure assets are those assets that are normally immovable and of value to the citizens of the state of Missouri, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The Department capitalizes assets with an expected useful life of more than one year with a cost greater than \$1,000 for equipment, \$5,000 for software and \$15,000 for buildings and land improvements. No dollar threshold is set for land, easements and infrastructure. Donated capital assets are recorded at their acquisition value at the date of the donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense, including amortization of leased capital and intangible assets, is recorded in the government-wide financial statements.

Capital assets are depreciated or amortized on the straight-line method over the asset's estimated useful life. There is no depreciation recorded for land, permanent easements, software in progress, construction in progress and infrastructure in progress. Generally, estimated useful lives are as follows:

Vehicles, machinery and equipment	1 to 20 years
Buildings and other improvements	10 to 50 years
Infrastructure	12 to 56 years
Software	5 years
Temporary Easements	3 years

5. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources consists of the consumption of net position that is applicable to a future reporting period and so will not be recognized as an outflow of resources until then. Deferred outflows of resources related to refunding long-term debt, certain pension and other postemployment benefits (OPEB) contributions and other pension and OPEB related deferrals are reported in the statement of net position. The deferred bond refunding amount results from the difference in the carrying value of refunded debt and its reacquisition price, and is amortized over the shorter of the life of the refunded or refunding debt. The deferrals related to pension and OPEB obligations include pension and OPEB contributions made to the plan between the measurement date of the pension and OPEB obligations and the end of the fiscal year, differences between projected and actual earnings on pension plan investments and the change in proportional share of MoDOT's participation in the plans.

In addition to liabilities, financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources consists of the acquisition of net position that is applicable to a future reporting period and so will not be recognized as inflow of resources until then. Deferred inflows of resources in the fund financial statements are reported as receivables, when the corresponding revenues are unavailable. Deferred inflows of resources includes federal reimbursements, cost reimbursements and other miscellaneous receivables. For the government-wide financial statements, deferred inflows of resources relate to certain changes in pension and OPEB obligations that are amortized over future periods.

6. Deposits and Unearned Revenue

Deposits consist of amounts held to ensure permit work, such as driveway installations, is completed to MoDOT specifications. Upon approval, the deposits are returned.

Unearned revenue consists of amounts collected in advance of the year in which earned. In the government-wide and governmental funds, local shares of project costs and property sales down-payments are held until work or contract completion. In the internal service funds, employee and employer medical insurance premiums received a month in advance are held for the subsequent month's coverage.

7. Compensated Absences

Under the terms of the Department's personnel policy, Department employees are granted 10 to 14 hours of annual leave per month. Additionally, certain employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees have accrued annual leave and compensatory time available amounting to \$32,879,302 and \$32,701,303 as of June 30, 2018 and 2017, respectively, recorded in the government-wide financial statements. Because employees are not paid for accumulated sick leave upon retirement or termination, no liability has been recorded for this leave.

8. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when paid.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pollution Remediation Obligations

MoDOT estimates the components of expected pollution remediation activities and determines whether expected outlays for those components should be accrued as a liability and expensed or, if appropriate, capitalized. Pollution remediation obligations are measured at the current cost of future activities and are valued using the expected cash flow method, which measures the liability based on probability-weighted amounts. The determined liabilities could change over time due to changes in costs of goods and services, changes in remediation technology or changes in laws and regulations governing the remediation efforts.

10. Pensions

Pension-related expenses, liabilities, deferred outflows of resources and deferred inflows of resources have been determined on the same basis as they are reported by the MoDOT and Patrol Employees' Retirement System (MPERS). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit term. Investments are reported at fair value.

11. Fund Balances

In the fund financial statements, fund balances are displayed as follows:

Nonspendable – This consists of State Road Fund balances of \$33,738,446 and \$38,789,753 at June 30, 2018 and 2017, respectively, representing inventories held.

Unassigned – This consists of a deficit fund balance in the Multimodal Federal Fund of \$328,395 as of June 30, 2018. Under the modified accrual basis of accounting, fund payables are recorded as expenditures when incurred; however, due to the timing of receipts, the corresponding federal revenue was deferred, resulting in a negative fund balance.

Restricted – This consists of fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Total restricted fund balances of \$872,201,437 and \$866,455,112 at June 30, 2018 and 2017, respectively, were restricted by enabling legislation.

12. Net Position

In the government-wide and proprietary fund financial statements, net position is displayed as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This consists of assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Total restricted net position at June 30, 2018 and 2017, \$300,000 and \$300,000, respectively, were restricted by enabling legislation or by outside parties.

Unrestricted – This consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The unrestricted net position deficits at June 30, 2018 and June 30, 2017, \$854,850,945 and \$489,615,710, respectively, were a result of the inclusion of the net pension liability and other post-employment benefits liability.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses or expenditures and other changes in net position or fund balances during the reporting period. Actual results could differ from those estimates.

14. Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. Specifically, deferred outflows of resources and deferred inflows of resources related to the difference between projected and actual investment earnings on pension plan investments were netted and presented as deferred outflows of resources. This reclassification had no effect on the change in net assets.

Note 2: Deposits and Investments

Cash and investments include amounts held by the State Treasurer's Office as required by the state constitution for all state funds of the primary government. Interest income earned on cash and investments in the State Treasury is allocated to the funds based on the respective investment and cash balances. In addition, cash and investments also include funds held in depository banks, as allowed by state statute.

By policy, investments may include linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements and reverse repurchase agreements, U.S. Treasury obligations and federal agency securities. The Department's investments are reported at fair value. While the majority of the Department's investments are pooled in the State Treasury or with the Department of Revenue, a portion is held at banks outside those state agencies. At June 30, 2018 and 2017, the Department's portfolio of non-pooled funds had \$127,359,253 and \$119,892,959, respectively, of uninsured, unregistered investments held in the Commission's or State's name. Also at June 30, 2018 and 2017, the Department had book balances of \$18,934,586 and \$22,680,563, respectively, and bank balances of \$19,351,561 and \$24,556,883, respectively, of repurchase agreements. All repurchase agreements were collateralized by securities held by a financial institution's trust department in the Commission's or State's name.

Interest Rate Risk – The State Treasurer's Office policy states it will minimize the risk that the market value of investments will fall due to changes in general interest rates by maintaining an effective duration of less than 2.5 years and holding at least 25.0 percent of the portfolio's total market value in securities with a maturity of 12 months or less. MoDOT's policy for the investment portfolios of non-pooled funds states they are to be structured so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. At June 30, 2018 and June 30, 2017, the total non-pooled investments of \$127,144,590 and \$119,677,808, respectively, were highly sensitive to interest rate changes because the investments are callable or subject to prepayment. The effective maturities are disclosed based on assumptions provided by the Department's investment advisor.

Credit Risk – The State Treasurer's Office policy states it will minimize the risk of loss due to the failure of a security issuer or backer by pre-approving financial institutions, companies, brokers and dealers and conducting regular credit monitoring and due diligence. MoDOT's policy for the investment portfolios of non-pooled funds states they are to be limited to the safest types of securities, as described above. The policies for both portfolios require diversification so potential losses on individual securities will be minimized.

Concentration of Credit Risk – The policies of both the State Treasurer's Office and the Department state investments are to be diversified and limits are set to minimize the risk of loss resulting from excess concentration in a specific maturity, issuer or class of security. The asset allocation is periodically reviewed by the State Treasurer and the Department's investment advisor. At June 30, 2018 and 2017, no investments in any one organization (other than those issued or sponsored by the U.S. Government and those in pooled investments) represented 5.0 percent of total investments.

At June 30, 2018, the Department's cash and investments consisted of the following:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Internal Service Funds	Agency Funds
Cash and investments:						
Cash and investments pooled in the State						
Treasury	\$16,935,418	\$628,869,859	\$47,163,389	\$19,113,882	\$ ---	\$ ---
Cash deposited with banks	---	---	---	---	2,120	---
U.S. agency obligations	---	---	---	---	127,144,590	---
U.S. Treasury obligations	---	---	---	---	14,662	---
Repurchase agreements	---	---	---	---	18,934,586	---
Total	<u>\$16,935,418</u>	<u>\$628,869,859</u>	<u>\$47,163,389</u>	<u>\$19,113,882</u>	<u>\$146,095,958</u>	<u>\$ --- 0</u>
Restricted assets:						
Cash and investments pooled in the State						
Treasury	\$ ---	\$ 67,548,500	\$ ---	\$ ---	\$ ---	\$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	8,090,867
Cash deposited with banks	---	---	---	---	---	30,388,959
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Total	<u>\$ ---</u>	<u>\$ 67,548,500</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 300,000</u>	<u>\$38,479,826</u>

At June 30, 2017, the Department's cash and investments consisted of the following:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Internal Service Funds	Agency Funds
Cash and investments:						
Cash and investments pooled in the State						
Treasury	\$8,143,621	\$642,302,876	\$41,222,315	\$21,485,089	\$ ---	\$ ---
Cash deposited with banks	---	---	---	---	4,296	---
U.S. agency obligations	---	---	---	---	119,677,808	---
U.S. Treasury obligations	---	---	---	---	15,151	---
Repurchase agreements	---	---	---	---	22,680,563	---
Total	<u>\$8,143,621</u>	<u>\$642,302,876</u>	<u>\$41,222,315</u>	<u>\$21,485,089</u>	<u>\$142,377,818</u>	<u>\$ ---</u>
Restricted assets:						
Cash and investments pooled in the State						
Treasury	\$ ---	\$ 67,726,250	\$ ---	\$ ---	\$ ---	\$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	4,721,160
Cash deposited with banks	---	---	---	---	---	35,194,260
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Total	<u>\$ ---</u>	<u>\$ 67,726,250</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 300,000</u>	<u>\$39,915,420</u>

The maturities of mortgage-backed investments have been estimated based on the weighted average life of the investment type. Estimated maturities will differ from actual maturities because issuers may have the right to call or prepay obligations.

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs comprised of quoted prices for similar assets or liabilities in active markets. Level 3 inputs are significant unobservable inputs. The Department's participation in the State Treasurer's Office cash and investment pool is reported at fair value based on the Department's proportional share of the pool's assets, which is the equivalent of net asset value. Accordingly, the cash and investments within the State Treasurer's Office pool are not categorized as being level 1, 2 or 3. The State Treasurer's Office redeems securities upon request.

At June 30, 2018, MoDOT's investments held in depository banks have the following average maturities and ratings:

Investment by Type	Rating		Total Investments	Investment Maturities (in years)			Fair Value Measurements	
	Moody's	S&P		Less than 1 year	1-5 years	6-10 years	Level 1	Level 2
Repurchase agreements	Aaa	AA+	\$ 18,934,586	\$18,934,586	\$ ---	\$ ---	\$ ---	\$ 18,934,586
U.S. Treasury obligations	Aaa	AA+	214,662	214,662	---	---	214,662	---
U.S. agency obligations	Aaa	AA+	<u>127,144,590</u>	<u>12,502,376</u>	<u>112,121,796</u>	<u>2,520,418</u>	<u>---</u>	<u>127,144,590</u>
			<u>\$146,293,838</u>	<u>\$31,651,624</u>	<u>\$112,121,796</u>	<u>\$2,520,418</u>	<u>\$214,662</u>	<u>\$146,079,176</u>

At June 30, 2017, MoDOT's investments held in depository banks have the following average maturities and ratings:

Investment by Type	Rating		Total Investments	Investment Maturities (in years)			Fair Value Measurements	
	Moody's	S&P		Less than 1 year	1-5 years	6-10 years	Level 1	Level 2
Repurchase agreements	Aaa	AA+	\$ 22,680,563	\$22,680,563	\$ ---	\$ ---	\$ ---	\$ 22,680,563
U.S. Treasury obligations	Aaa	AA+	215,151	---	215,151	---	215,151	---
U.S. agency obligations	Aaa	AA+	<u>119,677,808</u>	<u>7,553,551</u>	<u>111,221,793</u>	<u>902,464</u>	<u>---</u>	<u>119,677,808</u>
			<u>\$142,573,522</u>	<u>\$30,234,114</u>	<u>\$111,436,944</u>	<u>\$902,464</u>	<u>\$215,151</u>	<u>\$142,358,371</u>

Note 3: Receivables

Reimbursement receivables consist of billings to outside entities for repayment of expenditures incurred by MoDOT. Also included are miscellaneous receivables from contractors and others. Reimbursement receivables are shown net of an allowance for doubtful accounts of \$748,291 and \$1,361,975 at June 30, 2018 and 2017, respectively. The Department provides an allowance based upon a review of the outstanding receivables, historical collection information and existing economic conditions.

Contributions receivable consists of amounts due from participating employers and members in the Department's insurance and risk management plans. The federal government receivable represents funds to be received on federally-participating projects. Loans receivable represents loans to cities and counties for nonhighway-related projects, such as airport improvements.

Receivables at June 30, 2018 for the government's individual major funds, nonmajor funds and internal service funds were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds
State taxes and fees	\$109,975,245	\$ 23,479,267	\$17,395,311	\$ 1,116,993
Federal government	---	81,378,611	---	4,956,335
Miscellaneous:				
Reimbursements	789,254	17,953,781	---	4,793,825
Interest	121,100	1,667,277	148,497	39,471
Contributions	---	---	---	---
Total miscellaneous	<u>910,354</u>	<u>19,621,058</u>	<u>148,497</u>	<u>4,833,296</u>
Loans	---	---	---	<u>1,457,681</u>
Total receivables	<u>\$110,885,599</u>	<u>\$124,478,936</u>	<u>\$17,543,808</u>	<u>\$12,364,305</u>

Receivables at June 30, 2017 for the government's individual major funds, nonmajor funds and internal service funds were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds
State taxes and fees	\$107,226,800	\$ 20,518,821	\$15,230,435	\$ 532,675
Federal government	---	67,250,884	---	11,251,685
Miscellaneous:				
Reimbursements	800,898	19,014,689	---	2,650,768
Interest	74,636	1,111,073	75,488	29,734
Contributions	---	---	---	---
Total miscellaneous	<u>875,534</u>	<u>20,125,762</u>	<u>75,488</u>	<u>2,680,502</u>
Loans	---	---	---	<u>1,107,569</u>
Total receivables	<u>\$108,102,334</u>	<u>\$107,895,467</u>	<u>\$15,305,923</u>	<u>\$15,572,431</u>

<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ ---	\$ 151,966,816	\$ 151,966,816
---	86,334,946	86,334,946
589,207	24,126,067	20,690,567
378,212	2,354,557	2,354,557
<u>1,985,243</u>	<u>1,985,243</u>	<u>1,985,243</u>
<u>2,952,662</u>	<u>28,465,867</u>	<u>25,030,367</u>
---	<u>1,457,681</u>	<u>297,287</u>
<u>\$2,952,662</u>	<u>\$268,225,310</u>	<u>\$263,629,416</u>

<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ ---	\$ 143,508,731	\$ 143,508,731
---	78,502,569	78,502,569
642,720	23,109,075	17,017,556
294,220	1,585,151	1,585,151
<u>1,943,729</u>	<u>1,943,729</u>	<u>1,943,729</u>
<u>2,880,669</u>	<u>26,637,955</u>	<u>20,546,436</u>
---	<u>1,107,569</u>	<u>350,320</u>
<u>\$2,880,669</u>	<u>\$249,756,824</u>	<u>\$242,908,056</u>

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2018 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Nondepreciable capital assets					
Land and permanent easements	\$ 2,636,340,552	\$ 181,216	\$ 5,348,165	\$ 3,034,643	\$ 2,634,208,246
Software in progress	3,346,615	3,005,581	---	(1,681,947)	4,670,249
Construction in progress	16,739,104	6,418,342	---	(9,355,173)	13,802,273
Infrastructure in progress	<u>1,478,649,496</u>	<u>800,003,458</u>	<u>---</u>	<u>(728,189,195)</u>	<u>1,550,463,759</u>
Total nondepreciable capital assets	<u>4,135,075,767</u>	<u>809,608,597</u>	<u>5,348,165</u>	<u>(736,191,672)</u>	<u>4,203,144,527</u>
Depreciable/amortizable capital assets					
Land improvements	30,583,162	77,133	51,496	4,501	30,613,300
Buildings	275,116,354	3,803,744	884,081	6,316,029	284,352,046
Software	31,605,404	1,489,362	1,730,578	1,681,947	33,046,135
Equipment and vehicles	536,316,174	39,606,247	26,090,651	---	549,831,770
Temporary easements	1,508,642	285,846	302,616	---	1,491,872
Infrastructure	<u>50,174,197,788</u>	<u>---</u>	<u>73,545,392</u>	<u>728,189,195</u>	<u>50,828,841,591</u>
Total depreciable/amortizable capital assets	<u>51,049,327,524</u>	<u>45,262,332</u>	<u>102,604,814</u>	<u>736,191,672</u>	<u>51,728,176,714</u>
Accumulated depreciation/amortization					
Land improvements	15,470,966	1,194,837	36,934	---	16,628,869
Buildings	126,034,862	8,217,675	563,837	---	133,688,700
Software	22,433,347	3,136,704	1,556,930	---	24,013,121
Equipment and vehicles	338,730,842	29,780,333	24,491,203	---	344,019,972
Temporary easements	525,669	502,881	302,616	---	725,934
Infrastructure	<u>24,587,569,711</u>	<u>488,456,495</u>	<u>60,237,696</u>	<u>---</u>	<u>25,015,788,510</u>
Total accumulated depreciation/amortization	<u>25,090,765,397</u>	<u>531,288,925</u>	<u>87,189,216</u>	<u>---</u>	<u>25,534,865,106</u>
Total depreciable/amortizable capital assets, net	<u>25,958,562,127</u>	<u>(486,026,593)</u>	<u>15,415,598</u>	<u>736,191,672</u>	<u>26,193,311,608</u>
Total net capital assets	<u>\$30,093,637,894</u>	<u>\$ 323,582,004</u>	<u>\$20,763,763</u>	<u>\$ ---</u>	<u>\$30,396,456,135</u>

Changes in capital assets for the year ended June 30, 2017 are summarized below:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
\$ 2,641,917,873	\$ 123,898	\$ 6,818,253	\$ 1,117,034	\$ 2,636,340,552
4,573,973	1,437,258	---	(2,664,616)	3,346,615
10,809,355	9,522,231	---	(3,592,482)	16,739,104
1,404,441,297	657,097,218	---	(582,889,019)	1,478,649,496
<u>4,061,742,498</u>	<u>668,180,605</u>	<u>6,818,253</u>	<u>(588,029,083)</u>	<u>4,135,075,767</u>
30,415,200	147,291	132,217	152,888	30,583,162
272,062,856	1,348,119	617,181	2,322,560	275,116,354
27,180,453	2,131,813	371,478	2,664,616	31,605,404
521,495,252	39,132,577	24,311,655	---	536,316,174
1,793,463	234,251	519,072	---	1,508,642
<u>49,657,136,708</u>	<u>5,385</u>	<u>65,833,324</u>	<u>582,889,019</u>	<u>50,174,197,788</u>
<u>50,510,083,932</u>	<u>42,999,436</u>	<u>91,784,927</u>	<u>588,029,083</u>	<u>51,049,327,524</u>
14,273,111	1,227,769	29,914	---	15,470,966
118,265,985	8,235,294	466,417	---	126,034,862
20,524,991	2,276,536	368,180	---	22,433,347
333,760,597	28,465,654	23,495,409	---	338,730,842
446,753	597,738	518,822	---	525,669
<u>24,170,687,320</u>	<u>472,136,552</u>	<u>55,254,161</u>	<u>---</u>	<u>24,587,569,711</u>
<u>24,657,958,757</u>	<u>512,939,543</u>	<u>80,132,903</u>	<u>---</u>	<u>25,090,765,397</u>
25,852,125,175	(469,940,107)	11,652,024	588,029,083	25,958,562,127
<u>\$29,913,867,673</u>	<u>\$ 198,240,498</u>	<u>\$18,470,277</u>	<u>\$ ---</u>	<u>\$ 30,093,637,894</u>

Note 5: Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition, various lawsuits against the Department arise incident to the Department's normal operations. These risks have been classified as workers' compensation, vehicle liability, general liability, condemnation and inverse condemnation, contractor suits, employment suits, environmental regulatory liability and levy and drainage district suits. It is the policy of the Department to manage its risks internally, with the exception of purchased earthquake and major building insurance policies. No insurance settlements exceeded coverage in the last three years. In addition, all state employees and officers are covered by the state's Legal Expense Fund.

(A) Workers' Compensation, Vehicle and General Liabilities

The Department sets aside assets for the settlement of workers' compensation, vehicle liability and general liability claims in an internal service fund, the MHTC Self Insurance Fund. Section 537.610, RSMo. limits the liability of the state and its public entities on claims within the scope of Sections 537.600 to 537.650, RSMo., except for those claims governed by the provisions of the Missouri Workers' Compensation Law, Chapter 287, RSMo. The limits were \$2,804,046 and \$2,762,789 for all claims arising out of a single accident or occurrence, and \$420,606 and \$414,418 for any one person in a single accident or occurrence, at June 30, 2018 and 2017, respectively, as set by the Missouri Department of Insurance.

Estimated pending self insurance claims represent the expected losses to be realized on known claims pending and include minor non-incremental claims adjustment expenses. Estimated unreported claims represent expected losses or claims incurred but not reported. Amounts are reported based on actuarial calculations. Liabilities for incurred losses related to workers' compensation and general and vehicle liability claims are reported at their discounted value, assuming an investment yield of 2.0 percent.

Changes in pending self insurance claims and incurred but not reported claims for workers' compensation, vehicle and general liability during the past two years are:

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2018	\$82,576,362	\$20,180,005	\$21,312,640	\$81,443,727
2017	90,646,358	8,307,395	16,377,391	82,576,362

(B) Other Claims

Claims for condemnation and inverse condemnation, contractor suits, levy and drainage district suits, environmental regulatory liability and employment suits are paid from the State Road Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As listed in the Financing and Other Obligations note disclosure, the Department has approximately \$2,098,900 and \$537,500 in claims and judgments payable at June 30, 2018 and 2017, respectively. The Department is involved in other such suits for which no liability has been recorded, as a probable loss has not occurred. The aggregate potential liability of all claims deemed probable or possible to result in a loss was estimated to be approximately \$5,113,900 and \$3,078,000 as of June 30, 2018 and 2017, respectively. These estimates are within a range of \$2,393,900 to \$8,463,900 and \$1,742,000 to \$11,103,000 as of June 30, 2018 and 2017, respectively.

Note 6: Medical and Life Insurance Plan

The MoDOT and Missouri State Highway Patrol (MSHP) Insurance Plan (the Medical and Life Insurance Plan) Internal Service Fund accounts for the medical coverage provided on a self insured basis and life insurance benefits underwritten by commercial insurance companies. These benefits are available to employees, retirees, certain disabled employees, spouses, certain dependents and survivors of deceased employees and retirees of the Department, the MSHP and the MoDOT and Patrol Employees' Retirement System (MPERS). Changes to plan benefits and funding are required to be approved by the Commission. Incurred but not reported claims of \$12,500,000 and \$12,300,000 were reported in the Medical and Life Insurance Plan as of June 30, 2018 and 2017, respectively.

Claims incurred but not reported represent estimated unreported claims. This liability is established from an actuarial report, which is based on data provided by the Department and claims administrators. Changes in the incurred but not reported claims liability during the past two years are:

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2018	\$12,300,000	\$129,546,056	\$129,346,056	\$12,500,000
2017	9,800,000	128,321,901	125,821,901	12,300,000

Note 7: Pension Plan

(A) General Information about the Pension Plan

1. Plan Description

MPERS provides retirement, death and disability benefits. MPERS was established in accordance with Section 104.020, RSMo., and is administered by an 11-member Board of Trustees. The plan is administered in accordance with the requirements of a cost sharing, multiple-employer, public employee retirement plan under the Revised Statutes of Missouri. MPERS is a part of the state of Missouri financial reporting entity and is included in the State's financial reports as a component unit shown as a pension trust fund. As a separate legal entity, MPERS issues its own stand-alone financial report, which provides detailed information regarding actuarial assumptions and funding progress. Copies may be requested from the MoDOT and Patrol Employees' Retirement System, P.O. Box 1930, Jefferson City, Missouri 65102, or can be found online at www.mpers.org.

2. Benefits Provided

Employees eligible to be members of MPERS are those working in a position that normally requires the performance of duties for at least 1,040 hours annually. Benefits are designated by state statute. Any amendments to the plan require changes in state statute. MPERS has three benefit structures known as the Closed Plan, the Year 2000 Plan and the Year 2000 Plan - 2011 Tier.

Closed Plan - Employees covered by the Closed Plan are fully vested for benefits upon receiving five years of creditable service. The base benefit in the Closed Plan is equal to 1.6 percent multiplied by the final average pay multiplied by years of creditable service. For members employed prior to August 28, 1997, Cost of Living Allowances (COLAs) are provided annually based on 80.0 percent of the increase in the Consumer Price Index for all urban consumers for the United States (CPI-U). The minimum rate is 4.0 percent and the maximum rate is 5.0 percent, until the cumulative amount of COLAs equals 65.0 percent of the original benefit. Thereafter, the 4.0 percent minimum rate is eliminated and the annual COLA rate will be equal to 80.0 percent of the increase in the CPI-U (annual maximum of 5.0 percent). For members employed on or after August 28, 1997, COLAs are provided annually based on 80.0 percent of the increase in the CPI-U, up to a maximum rate of 5.0 percent. This benefit structure is closed to new entrants.

Year 2000 Plan - Employees covered by the Year 2000 Plan are fully vested for benefits upon earning five years of creditable service. The base benefit in the Year 2000 Plan is equal to 1.7 percent multiplied by the final average pay multiplied by years of creditable service. Members retiring under the Rule of 80 receive an additional temporary benefit until age 62. The temporary benefit is equivalent to 0.8 percent multiplied by final average pay multiplied by years of creditable service. COLAs are provided annually based on 80.0 percent of the increase in the CPI-U, up to a maximum rate of 5.0 percent. This benefit structure is closed to new entrants.

Year 2000 Plan - 2011 Tier - Employees covered by the Year 2000 Plan – 2011 Tier are fully vested for benefits upon earning 10 years of creditable service. Legislation passed during the 2017 legislative session will reduce the 10 year vesting period for 2011 Tier members to 5 years effective July 1, 2018. The base benefit in the 2011 Tier is equal to 1.7 percent multiplied by the final average pay multiplied by years of creditable service. Members retiring under the Rule of 90 receive an additional temporary benefit until age 62. The temporary benefit is equivalent to 0.8 percent multiplied by final average pay multiplied by years of creditable service. COLAs are provided annually based on 80.0 percent of the change in the CPI-U, up to a maximum rate of 5.0 percent.

3. Contributions

Employer contributions paid to the system are determined by an actuary and are set by the Board. Annual contribution amounts are designed to fund in advance the benefits designated by state statute. Employee contribution amounts are designated by state statute. New employees hired for the first time on or after January 1, 2011 (Year 2000 Plan-2011 Tier) contribute 4.0 percent of their pay. The Department's contributions to MPERS for fiscal years 2018 and 2017 were 58.0 percent and 58.0 percent, respectively, of eligible (covered) payroll. Required employer contributions totaling \$127,168,503 and \$127,407,569 for fiscal years 2018 and 2017, respectively, represent funding of normal costs and amortization of the unfunded accrued liability. Actual contributions made were 100.0 percent of required contributions. The fiscal year 2018 contribution rate was based on a 8-year closed amortization period for unfunded retiree liabilities and a 23-year closed amortization period for other unfunded liabilities.

(B) Actuarial Information

The total pension liability was determined by actuarial valuations as of June 30, 2017 and 2016, using the following actuarial assumptions, applied to all prior periods included in the measurements:

Inflation	3.0%
Salary increases	3.5% to 11%
Investment rate of return	7.75%
Cost-of-living adjustments	2.40% compound

The mortality tables for post-retirement mortality, used in evaluating allowances to be paid to non-disabled pensioners, were the RP2000 Combined Healthy Mortality Tables projected 16 years and set back one year for males and females. Pre-retirement mortality used was 70 percent for males and 50 percent for females of the postretirement tables, set back one year for males and females. Disabled pension mortality was based on Pension Benefit Guaranty Corporation's Disabled Mortality Tables. The healthy mortality tables include a margin for mortality improvement. The margin is in the 16-year projection. The disabled mortality tables do not include a margin for mortality improvement.

The actuarial assumptions used in the 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2012.

The Board of Trustees establishes MPERS' policy in regard to the allocation of invested assets and may amend the policy. The following is MPERS' asset allocation policy as of June 30, 2017 and 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equity	30.0%
Private equity	15.0
Fixed income	20.0
Real assets	7.5
Real estate	10.0
Hedge funds	10.0
Opportunistic debt	7.5
Cash	0.0

The long-term (30-year) expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(ies). The estimated long-term expected real rates of return for each major asset class included in MPERS' target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>	<u>2016</u>
Global equity	4.80%	4.80%
Private equity	6.50	6.50
Fixed income	0.50	0.50
Opportunistic debt	4.50	0.00
Real assets	4.75	4.75
Real estate	2.75	2.75
Hedge funds	2.75	2.75

A single discount rate of 7.75 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Department's proportional share of the plan's net pension liability, calculated using a single discount rate of 7.75 percent, as well as what the Department's proportional share of the plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage point lower or one-percentage point higher for the valuations as of June 30, 2017 and 2016.

	<u>1 Percent Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1 Percent Increase (8.75%)</u>
2018	\$1,287,001,967	\$1,012,417,855	\$782,743,516
2017	1,371,228,392	1,097,719,514	869,129,661

(C) Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Department reported a liability of \$1,012.4 million and \$1,097.7 million for its proportionate share of the net pension liability at June 30, 2018 and 2017, respectively. The net pension liability was measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating departments, actuarially determined. At June 30, 2017 and 2016, the Department's proportion was 62.01 percent and 62.03 percent, respectively. The Department recognized pension expense of \$76.7 million and \$87.7 million for the years ended June 30, 2018 and 2017, respectively.

The Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2018</u>		<u>2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ ---	\$34,577,149	\$ ---	\$26,860,306
Changes in proportion and differences between employer contributions and share of contributions	---	10,859,524	---	18,103,184
Net difference between projected and actual investment earnings on pension plan investment	6,493,361	---	39,985,530	---
Contributions subsequent to measurement date	127,168,503	---	127,407,571	---
Total	<u>\$133,661,864</u>	<u>\$45,436,673</u>	<u>\$167,393,101</u>	<u>\$44,963,490</u>

Deferred outflows and inflows of resources resulting from contributions subsequent to the measurement date will be recognized as a change to the net pension liability in each subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	<u>2018 Net Deferred Inflows of Resources</u>	<u>2017 Net Deferred Inflows of Resources</u>
2018	\$ ---	\$17,655,782
2019	29,832,568	16,071,740
2020	(820,526)	(14,589,717)
2021	(391,600)	(14,159,845)
2022	10,315,163	---
Total	<u>\$38,935,605</u>	<u>\$ 4,977,960</u>

Note 8: Other Post-Employment Benefits (OPEB)**(A) General Information about the OPEB Plan****1. Plan Description**

The Department provides a portion of healthcare insurance through the Medical and Life Insurance Plan, as discussed in Note 6, Medical and Life Insurance Plan, in accordance with Section 104.270, RSMo. As part of the Medical and Life Insurance Plan, health care benefits are provided to both active employees and retirees. For purposes of reporting OPEB costs and obligations in accordance with GASB Statement 75, the OPEB Insurance Plan (the Plan) is disclosed within the state of Missouri reporting entity as a single employer plan. In the Department's financial report the Plan is reported as a cost sharing multiple employer plan, as it includes the Department; Missouri State Highway Patrol; and the MoDOT and Patrol Employees Retirement System (MPERS). Only the Department's proportionate share is shown on the Department's financial statements.

The Plan is not a separate legal entity and is self-insured. The Plan does not maintain assets in a trust and pays expenses on a pay-as-you-go basis; therefore, many of the requirements in the GASB Statement 75 are not applicable. The criteria for a special funding situation are not met. The plan assets are neither legally protected from creditors nor are they dedicated to providing OPEB benefits. The Department has no legal obligation to pay the benefits.

2. Benefits Provided

Eligible members are employees who retire from the Department who participated in the Medical and Life Insurance Plan when they were an active employee and had a minimum of five years creditable service. The Plan provides healthcare insurance benefits. Coverage categories include retirees, certain disabled employees, spouses, certain dependents and survivors of deceased employees and retirees.

Participants covered by the Plan at June 30, 2017:	
Retirees or beneficiaries currently receiving benefit payments	4,776
Retirees entitled to but not yet receiving benefit payments	76
Active employees	<u>5,160</u>
Total participants	<u>10,012</u>

3. Contributions

The medical insurance benefits and employer and member contribution amounts are recommended by the Medical and Life Insurance Plan's Board of Trustees and are approved by the Commission. The Commission contributes a percentage of medical premiums for retirees. For those who retired on or prior to January 1, 2015, an amount ranging from 40-57 percent of the premium is contributed, dependent on the level of coverage. Medical premiums for employees who retire on or after January 1, 2015 are based on total years of service with the Commission contributing 2.0 percent per year of service, not to exceed 50 percent of the total premium, with the retiree responsible for the remaining balance of the premiums. Required employer contributions totaling \$17,146,161 and \$15,984,861 were made for fiscal years 2018 and 2017, respectively.

(B) Actuarial Information

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using a measurement date of July 1, 2017. The following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.00%
Salary increases	2.50%
Discount rate	3.58%
Healthcare cost trend rates:	8.40% for 2017, decreasing to 4.60% through 2025
Retirees' share of benefit-related costs:	43-90% of projected health insurance premiums for retirees.

The inflation rate was based on the actuary's long-term estimate of inflation as of July 1, 2016 and 2017. The salary increases were based on projected salaries, which include COLA's, provided by the Department. The discount rate was based on Bond Buyer General Obligation 20-Bond Municipal Bond Index. Mortality rates were based on the RP 2014 Employees and Health Annuitants Mortality table, headcount weighted, fully generational projected by Scale MP-2016. The actuarial assumptions used in July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2017. Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2017 to 3.58 percent in 2018.

The following presents the proportionate share of the net OPEB liability for the Department, calculated using the discount rate of 3.58 percent and healthcare cost trend rates of 8.40 – 4.60 percent, as well as what the Department total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.58 percent) or one-percentage-point higher (4.58 percent) than the current discount rate.

<u>Year</u>	<u>1 Percent Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1 Percent Increase (4.58%)</u>
2018	\$932,741,416	\$776,186,564	\$655,597,342

The following represents the Department's proportionate share of the net OPEB liability, as well as what the department's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.40 percent) or one percentage point higher (9.40 percent) than the current healthcare cost trend rates:

<u>Year</u>	<u>1 Percent Decrease (7.40%)</u>	<u>Current Discount Rate (8.40%)</u>	<u>1 Percent Increase (9.40%)</u>
2018	\$641,071,461	\$776,186,564	\$955,811,177

(C) Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Department's proportionate share (69.22 percent) of the OPEB Liability is \$776,186,564. The measurement date of the liability was July 1, 2017. The liability was allocated based on the population of each employer.

	<u>Total OPEB Liability</u>
Beginning Balance	\$845,951,873
Changes for the year	---
Service Cost	31,491,632
Changes of benefit terms	---
Differences between expected and actual experience	---
Interest	24,779,355
Changes in assumptions or other inputs	(110,051,435)
Benefit payments	(15,984,861)
Net changes	(69,765,309)
Balance, June 30, 2018	<u>\$776,186,564</u>

(D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Department recognized net OPEB expense of \$38,288,726. A breakdown of the OPEB expense is provided below.

Reconciliation of OPEB Expense	
Beginning Balance	\$ ---
Service Cost	31,491,632
Interest	24,779,355
Amortization of Deferred Inflow Changes in Assumptions	(17,982,261)
Total OPEB expenses 6/30/2018	<u>\$38,288,726</u>

The Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ ---	\$(92,069,174)
Contributions subsequent to measurement data	17,146,161	---
Total	<u>\$17,146,161</u>	<u>\$(92,069,174)</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

Years ended June 30:

<u>Year</u>	<u>Amount</u>
2019	\$(17,982,261)
2020	(17,982,261)
2021	(17,982,261)
2022	(17,982,261)
2023	(17,982,261)
2024-2028	<u>(2,157,869)</u>
Total	<u>\$(92,069,174)</u>

Note 9: Financing and Other Obligations

Changes in long-term obligations for the year ended June 30, 2018 were as follows:

<u>Obligation</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
State road bonds	\$2,032,555,000	\$ ---	\$200,185,000	\$ 1,832,370,000	\$209,355,000
Notes issued	644,499	---	---	644,499	---
Capital leases	88,532	---	51,710	36,822	35,946
Claims and judgments	537,500	1,673,900	112,500	2,098,900	2,098,900
Compensated absences	32,701,303	22,858,755	22,680,756	32,879,302	22,680,756
Pollution remediation	---	6,500	2,500	4,000	---
	<u>\$2,066,526,834</u>	<u>\$24,539,155</u>	<u>\$223,032,466</u>	<u>\$ 1,868,033,523</u>	<u>\$234,170,602</u>

Amortization of financing activity:
Premium

104,089,738
\$ 1,972,123,261

Changes in long-term obligations for the year ended June 30, 2017 were as follows:

<u>Obligation</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
State road bonds	\$ 2,341,150,000	\$ ---	\$308,595,000	\$2,032,555,000	\$200,185,000
Notes issued	644,499	---	---	644,499	---
Capital leases	126,636	16,580	54,684	88,532	47,651
Claims and judgments	13,469,000	527,500	13,459,000	537,500	537,500
Compensated absences	31,557,228	21,825,943	20,681,868	32,701,303	20,681,868
Pollution remediation	---	---	---	---	---
	<u>\$2,386,947,363</u>	<u>\$ 22,370,023</u>	<u>\$ 342,790,552</u>	<u>\$ 2,066,526,834</u>	<u>\$221,452,019</u>

Amortization of financing activity:
Premium

134,202,776
\$ 2,200,729,610

Information related to claims and judgments and compensated absences can be found in the Summary of Significant Accounting Policies Note and the Risk Management Note.

Payments on State Road bonds are made from the Road Fund and the Road Bond Fund. Compensated absences are made by the governmental funds from which the related salaries are paid. All other long-term obligation payments are liquidated from the Road Fund.

House Bill 1742, signed by the Governor on May 30, 2000, authorized the Department to issue bonds of \$2.25 billion through 2006, with no more than \$500.0 million issued in any one year. Under Constitutional Amendment 3, approved by Missouri voters on November 2, 2004, the authority of the Commission to issue State Road bonds is not subject to statutory provisions.

(A) State Road Bonds**1. Bonded Debt Detail**

	2018	2017
Series 2006 Refunding State Road bonds, originally issued for \$394,870,000, to advance refund certain portions of Series A 2000 through 2003 State Road bonds; due in annual installments of \$13,110,000 to \$61,200,000 beginning February 1, 2013 through 2022; interest varying from 4.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution. The MHTC authorized the redemption of \$90,860,000 principal amount of the Senior Lien Refunding State Road Bonds, Series 2006, on February 1, 2017.	\$61,200,000	\$119,655,000
Series A 2008 Federal Reimbursement State Road bonds, originally issued for \$142,735,000, to finance federally-eligible projects, including the new I-64 project in St. Louis, due in annual installments of \$7,140,000 to \$12,870,000 beginning in 2011 through 2025; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	78,260,000	87,545,000
Series A 2009 Federal Reimbursement State Road bonds, originally issued for \$195,625,000, to finance federally-eligible projects, including the Safe and Sound bridge program, due in annual installments of \$14,505,000 to \$21,870,000 beginning in 2011 through 2021; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	62,620,000	81,680,000
Series B 2009 Federal Reimbursement State Road bonds, originally issued for \$404,375,000, to finance federally-eligible projects, including the Safe and Sound bridge program, due in annual installments of \$23,175,000 to \$43,250,000 beginning in 2022 through 2033; interest varying from 4.80 percent to 5.45 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected from federal highway reimbursements.	404,375,000	404,375,000
Series C 2009 State Road bonds, originally issued for \$300,000,000, to finance projects pursuant to Amendment 3 due in annual installments of \$19,070,000 to \$28,015,000 beginning in 2017 through 2029; interest varying from 4.31 percent to 5.63 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	261,325,000	280,930,000
Series A 2010 Federal Reimbursement State Road bonds, originally issued for \$128,865,000, to finance federally-eligible projects, including the new Mississippi River Bridge in St. Louis and the Safe and Sound bridge program, due in annual installments of \$2,745,000 to \$13,610,000 beginning in 2011 through 2022; interest varying from 1.50 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	42,160,000	54,285,000
Series B 2010 Federal Reimbursement State Road bonds, originally issued for \$56,135,000, to finance federally-eligible projects, including the new Mississippi River Bridge in St. Louis and the Safe and Sound bridge program, due in annual installments of \$11,290,000 to \$15,425,000 beginning in 2022 through 2025; interest varying from 4.72 percent to 5.02 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected from federal highway reimbursements.	56,135,000	56,135,000
Series C 2010 Refunding State Road bonds, originally issued for \$130,390,000, to advance refund certain portions of Series A 2001 through 2003 State Road bonds; due in annual installments of \$1,205,000 to \$31,145,000 beginning February 1, 2013 through 2023; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	65,770,000	65,770,000
Series A 2014 First Lien Refunding State Road bonds, originally issued for \$589,015,000, to advance refund certain portions of Series A & B 2006 First Lien State Road bonds; due in annual installments of \$18,810,000 to \$104,510,000 beginning May 1, 2017 through 2026; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	550,250,000	570,205,000

Series B 2014 Second Lien Refunding State Road bonds, originally issued for \$311,975,000, to advance refund certain portions of Series 2007 Second Lien State Road bonds; due in annual installments of \$3,130,000 to \$68,350,000 beginning May 1, 2018 through 2025; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.

<u>250,275,000</u>	<u>311,975,000</u>
<u>\$1,832,370,000</u>	<u>\$2,032,555,000</u>

2. Tax Status of Bonds

Tax-Exempt issuances: The Series 2006 and 2010 Refunding bonds are Senior Bonds and would take priority in payment over other bonds. Refunding Series A 2014 bonds are First Lien bonds. The Series A 2007 bonds and Refunding Series B 2014 are Second Lien bonds. The Series A 2008, A 2009 and A 2010 bonds are liens on federal highway reimbursement revenues. As tax-exempt issuances, these bonds are subject to federal arbitrage regulations.

Taxable issuances: The Series B 2009 and B 2010 bonds are liens on federal highway reimbursement revenues. The Series C 2009 bonds are Third Lien bonds. These bonds are taxable Build America Bonds as established under the American Recovery and Reinvestment Act of 2009.

3. Bond Debt Maturity

Annual debt service requirements to maturity are indicated in the following schedule. The interest payments for the Build America Bonds are shown excluding the expected receipt of interest subsidy payments from the U.S. Treasury.

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2019	\$ 209,355,000	\$ 92,447,185	\$ 301,802,185
2020	170,340,000	82,413,197	252,753,197
2021	183,515,000	74,224,225	257,739,225
2022	196,330,000	65,170,404	261,500,404
2023	199,720,000	55,529,696	255,249,696
2024-2028	643,185,000	145,947,000	789,132,000
2029-2033	<u>229,925,000</u>	<u>35,327,558</u>	<u>265,252,558</u>
	<u>\$1,832,370,000</u>	<u>\$551,059,265</u>	<u>\$2,383,429,265</u>

(B) Notes Issued

1. Notes Issued Detail

	<u>2018</u>	<u>2017</u>
County of St. Charles; to provide a location, needs and cost study of a river crossing on Highway 40 between St. Louis County and St. Charles County; principal due July 1, 2020; no interest will accrue.	\$644,499	\$644,499
	<u>\$644,499</u>	<u>\$644,499</u>

2. Notes Issued Debt Maturity

Annual debt service requirements to maturity for all notes issued are indicated in the following schedule.

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2019	\$ ---	\$---	\$ ---
2020	---	---	---
2021	\$644,499	---	644,499
2022	---	---	---
2023	---	---	---
	<u>\$644,499</u>	<u>\$---</u>	<u>\$644,499</u>

(C) Capital Lease Obligations

The Department is committed under several capital leases to finance the acquisition of equipment. Lease-purchase agreements for equipment grant a security interest in the related capital assets. The assets acquired through these capital leases are included in capital assets as follows:

	<u>2018</u>	<u>2017</u>
Equipment	\$140,926	\$169,258
Less: accumulated depreciation	<u>102,330</u>	<u>79,362</u>
Capital leased assets, net	<u>\$ 38,596</u>	<u>\$ 89,896</u>

The following schedule presents the future minimum lease payments under the capital leases and the present value of the future minimum lease payments as of June 30, 2018:

<u>Year Ending</u>	<u>Future Minimum Lease Payments</u>
2019	\$36,257
2020	877
2021	---
2022	---
2023	---
Total minimum lease payments	37,134
Less: amount representing interest	<u>313</u>
Present value of minimum lease payments	<u>\$36,821</u>

(D) Pollution Remediation Obligations

MoDOT is involved in remediation activities related to buildings and grounds caused by contamination and a fuel leak. The potential for additional pollution remediation exists; however, any future remediation obligations are not yet estimable.

Note 10: Tax Revenues

Tax revenues for the fiscal years 2018 and 2017 were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2018
Fuel taxes	\$520,888,087	\$ 124,213	\$ ---	\$ 260,531	\$521,272,831
Sales taxes	<u>1,595,140</u>	<u>179,985,720</u>	<u>184,927,517</u>	<u>12,256,726</u>	<u>378,765,103</u>
Total tax revenue	<u>\$522,483,227</u>	<u>\$180,109,933</u>	<u>\$184,927,517</u>	<u>\$12,517,257</u>	<u>\$900,037,934</u>

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2017
Fuel taxes	\$512,345,751	\$ 109,012	\$ ---	\$ 258,712	\$512,713,475
Sales taxes	<u>1,770,005</u>	<u>174,035,516</u>	<u>178,800,852</u>	<u>8,672,599</u>	<u>363,278,972</u>
Total tax revenue	<u>\$514,115,756</u>	<u>\$174,144,528</u>	<u>\$178,800,852</u>	<u>\$8,931,311</u>	<u>\$875,992,447</u>

Taxes are remitted by the Missouri Department of Revenue to the Department subsequent to collection. The Department receives the following taxes:

- **Fuel taxes** are paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines and diesel fuel. The taxes are authorized by Sections 142.010 – 142.350, 155.080 and 155.090, and 142.362 – 142.621, RSMo. The tax rate on gasoline and diesel fuels is \$0.17 per gallon. The State receives 75.0 percent of the first \$0.11 and 70.0 percent of the next \$0.06. The remaining tax is distributed to cities and counties. In addition, the Department receives the entire tax on aviation fuel of \$0.09 per gallon.
- **Sales taxes** are paid on the purchase of any new or used motor vehicle or trailer, on vehicles purchased out of state and titled in Missouri and on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo. The general sales tax rate is 3.0 percent and Proposition C tax (Section 144.701, RSMo.) is 1.0 percent, for a total of 4.0 percent. The Department receives 75.0 percent of the motor vehicle sales tax. The remainder is distributed to cities, counties and school districts. In addition, the Department receives sales tax on jet fuel, limited to a maximum of \$10.0 million annually.

Note 11: Interfund Transactions

State statute (226.200, RSMo.) requires the transfer of unspent monies in the Highway Fund to the State Road Fund on a monthly basis. Transfers for the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
State Highways and Transportation Department Fund	\$ ---	\$461,293,261	\$ ---	\$459,141,076
State Road Fund	461,281,574	---	459,141,076	---
Nonmajor Funds	11,687	---	---	---
Total transfers	<u>\$461,293,261</u>	<u>\$461,293,261</u>	<u>\$459,141,076</u>	<u>\$459,141,076</u>

The due to/from amounts in the Road Fund and non-major funds represent interfund services provided and used. Amounts receivable/payable as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
State Road Fund	\$130,552	\$ ---	\$41,899	\$ ---
Nonmajor Funds	---	130,552	---	41,899
Total due to/from	<u>\$130,552</u>	<u>\$130,552</u>	<u>\$41,899</u>	<u>\$41,899</u>

Note 12: Commitments and Contingencies**(A) Unemployment Benefits**

The Department is subject to the Missouri Employment Security Law. Department employees who qualify are entitled to benefit payments during periods of unemployment. The Department is required to reimburse the Division of Employment Security for benefit payments made to its former employees. The Department has identified no practical method of estimating the amount of future benefit payments that may be made to former employees for wage credits earned prior to June 30, 2018 and 2017. Consequently, this potential obligation is not included in the accompanying basic financial statements. Total reimbursements made by the Department were \$115,187 and \$94,051 for fiscal years 2018 and 2017, respectively.

(B) Construction Commitments

The State Road Fund had construction awards outstanding for both state and federal participating projects at June 30, 2018 and 2017 amounting to approximately \$697,914,728 and \$643,137,852, respectively. The federal portion of this total was \$587,829,137 and \$539,726,481, or approximately 84.23 percent and 83.92 percent, for 2018 and 2017, respectively.

(C) Loan Commitments

The State Transportation Assistance Revolving Fund had loan commitments at June 30, 2018, amounting to \$12,982 that were approved and executed, but not disbursed.

(D) Operating Leases

The Department is committed under operating leases for buildings, as well as various office and maintenance equipment. Lease expenditures for the years ended June 30, 2018 and 2017 amounted to \$3,031,918 and \$2,510,943, respectively. Future minimum lease payments for these leases are as follows:

Year ending:	<u>2018</u>	<u>2017</u>
2018	\$ ---	\$590,716
2019	153,934	14,014
2020	5,544	5,544
2021	5,544	5,544
2022	5,544	5,544
2023	5,544	---
	<u>\$176,110</u>	<u>\$621,362</u>

(E) Federal Funding

The Department receives federal grants that are subject to review and audit by federal grantor agencies. This could result in requests for reimbursement by the grantor agency for any expenditures disallowed under grant terms. The Department believes such disallowances, if any, would be immaterial.

Note 13: Accounting Pronouncements and Restatements

MoDOT implemented the following GASB Statements with no impact to the financial statements:

- 81, *Irrevocable Split-Interest Agreements*;
- 86, *Certain Debt Extinguishment Issues*.

MoDOT implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement 85, *Omnibus 2017*, in fiscal year 2018. GASB Statement 75 establishes new financial reporting and disclosure requirements of the Department for OPEB. The Plan is disclosed within the state of Missouri reporting entity as a single employer plan and in the Department's financial report as a cost sharing multiple employer plan. Under the new requirements, in addition to expanded note disclosure, the Department's financial statements reflect the accrual of unfunded actuarially determined obligations. In addition, MoDOT early implemented GASB 85, *Omnibus*, related to covered payroll in fiscal year 2017.

	<u>July 1, 2017</u>
Government-wide financial statements	
Net Position, beginning of year, as previously reported	\$27,489,203,931
Restatement of net position, OPEB liability	<u>(399,736,253)</u>
Net Position, beginning of year as restated	<u>\$27,089,467,678</u>
Restatement consists of:	
Net OPEB liability is reported as a noncurrent liability July 1, 2017	\$ 845,951,873
Remove FY 2017 OPEB Liability, as previously reported	(430,230,759)
Contributions made subsequent to the beginning net OPEB liability's measurement of June 30, 2017 are reported as deferred outflows of resources	<u>(15,984,861)</u>
Restatement of net position, net OPEB liability	<u>\$ 399,736,253</u>

The Department has not restated its financial statements as of and for the year ended June 30, 2017, because the actuarial information was not readily available for that period, thus making restatement of the 2017 financial statements not practical.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedules – State Highways
and Transportation Department Fund
Year Ended June 30, 2018
With Summarized Financial Information for 2017

	Budgeted Amounts		Actual	Variances Between Final Budget and Actual	
	Original	Final		2018	2017
Budgetary fund balance, beginning of year	\$ 8,170,703	\$ 8,170,703	\$ 8,170,703	\$ ---	\$ ---
Resources (inflows)					
Fuel taxes	514,055,196	514,055,196	517,707,474	3,652,278	29,169,960
License, fees and permits	206,021,000	206,021,000	205,815,085	(205,915)	856,374
Vehicle sales taxes	1,813,000	1,813,000	1,583,397	(229,603)	1,766,728
Interest	214,000	214,000	642,593	428,593	168,239
Intergovernmental/cost reimbursements/miscellaneous	<u>3,620,000</u>	<u>3,620,000</u>	<u>1,965,124</u>	<u>(1,654,876)</u>	<u>849,747</u>
Amount available for appropriation	<u>733,893,899</u>	<u>733,893,899</u>	<u>735,884,376</u>	<u>1,990,477</u>	<u>32,811,048</u>
Charges to appropriations (outflows)					
Appropriations spent by other state agencies	<u>288,935,603</u>	<u>288,935,603</u>	<u>257,531,277</u>	<u>31,404,326</u>	<u>17,456,821</u>
Total charges to appropriations	<u>288,935,603</u>	<u>288,935,603</u>	<u>257,531,277</u>	<u>31,404,326</u>	<u>17,456,821</u>
Transfers to State Road Fund	<u>(510,000,000)</u>	<u>(510,000,000)</u>	<u>(461,281,574)</u>	<u>48,718,426</u>	<u>20,858,924</u>
Budgetary fund balance, end of year	\$ <u>(65,041,704)</u>	\$ <u>(65,041,704)</u>	\$ <u>17,071,525</u>	\$ <u>82,113,229</u>	\$ <u>71,126,793</u>

Required Supplementary Information

Budgetary Comparison Schedules – State Road Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Budgeted Amounts		Actual	Variances Between Final Budget and Actual	
	Original	Final		2018	2017
Budgetary fund balance, beginning of year	\$ 712,393,614	\$ 712,393,614	\$ 712,393,614	\$ ---	\$ ---
Resources (inflows)					
Fuel taxes	112,000	112,000	124,213	12,213	(48,522)
License, fees and permits	95,156,000	95,156,000	105,181,664	10,025,664	11,705,325
Vehicle sales taxes	181,112,000	181,112,000	177,891,356	(3,220,644)	3,722,458
Interest	5,038,000	5,038,000	9,070,047	4,032,047	706,924
Intergovernmental/cost reimbursements/miscellaneous	96,380,000	96,380,000	83,371,328	(13,008,672)	(7,641,642)
Federal government	<u>946,948,000</u>	<u>947,261,853</u>	<u>935,017,023</u>	<u>(12,244,830)</u>	<u>(73,733,265)</u>
Amount available for appropriation	<u>2,037,139,614</u>	<u>2,037,453,467</u>	<u>2,023,049,245</u>	<u>(14,404,222)</u>	<u>(65,288,722)</u>
Charges to appropriations (outflows)					
Administration					
Personal service	18,583,783	18,583,783	17,687,523	896,260	1,022,776
Fringe benefits	34,142,122	33,561,405	30,945,601	2,615,804	1,815,569
Expense and equipment	5,163,089	12,370,089	7,164,244	5,205,845	1,834,514
Maintenance					
Personal service	139,360,840	138,710,840	134,749,025	3,961,815	3,090,689
Fringe benefits	127,068,022	127,396,639	122,584,794	4,811,845	3,945,150
Expense and equipment	212,920,097	205,840,427	205,476,746	363,681	18,076,796
Construction					
Personal service	65,040,000	64,943,088	61,934,148	3,008,940	3,146,974
Fringe benefits	52,985,935	53,460,742	49,434,025	4,026,717	3,975,434
Expense and equipment	19,963,628	17,818,099	16,083,856	1,734,243	2,965,976
Contracts	908,759,682	985,811,498	939,996,594	45,814,904	49,348,539
Right of way purchase	35,000,000	10,000,000	4,269,082	5,730,918	24,570,529
Fleet, facilities and information systems					
Personal service	11,382,281	11,353,060	10,181,341	1,171,719	990,553
Fringe benefits	9,667,324	9,652,317	8,577,597	1,074,720	906,956
Expense and equipment	58,266,260	68,717,337	60,231,435	8,485,902	8,602,290
Multimodal operations					
Personal service	433,141	462,862	459,756	3,106	2,328
Fringe benefits	407,464	430,900	331,224	99,676	54,973
Expense and equipment	34,852	384,852	93,074	291,778	(58,778)
Program	176,000	176,000	175,998	2	(293)
Bond principal and interest payments	<u>111,961,864</u>	<u>111,961,864</u>	<u>111,945,597</u>	<u>16,267</u>	<u>187,449</u>
Total charges to appropriations	<u>1,811,316,384</u>	<u>1,871,635,802</u>	<u>1,782,321,660</u>	<u>89,314,142</u>	<u>124,478,424</u>
Transfers from Highway Fund	<u>510,000,000</u>	<u>510,000,000</u>	<u>461,281,574</u>	<u>(48,718,426)</u>	<u>(20,858,924)</u>
Budgetary fund balance, end of year	<u>\$ 735,823,230</u>	<u>\$ 675,817,665</u>	<u>\$ 702,009,159</u>	<u>\$ 26,191,494</u>	<u>\$ 38,330,778</u>

Required Supplementary Information

Budget Basis to GAAP Reconciliations and Disclosure

Years Ended June 30, 2018 and 2017

The following are reconciliations of the differences between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2018:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	\$ 17,071,525	\$ 702,009,159
Receivables	110,885,599	124,478,936
Due from other funds	---	130,552
Inventories	---	33,738,446
Payables	(9,426,504)	(123,095,255)
Deposits	---	(1,378,015)
Unearned revenue	---	(4,305,682)
Deferred revenues	(77,589)	(22,532,259)
Change in fair value of investments	<u>(136,147)</u>	<u>(5,567,451)</u>
Fund balance, GAAP basis	<u>\$118,316,884</u>	<u>\$703,478,431</u>

The following are reconciliations of the differences between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2017:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	\$ 8,170,703	\$ 712,393,614
Receivables	108,102,334	107,895,467
Due from other funds	---	41,899
Inventories	---	38,789,753
Payables	(11,810,928)	(102,686,928)
Deposits	---	(1,691,290)
Unearned revenue	---	(5,587,783)
Deferred revenues	(721,293)	(23,242,236)
Change in fair value of investments	<u>(27,082)</u>	<u>(2,364,488)</u>
Fund balance, GAAP basis	<u>\$103,713,734</u>	<u>\$723,548,008</u>

Budgetary Principles and Presentation

The budgetary comparison schedules are presented on the State's budgetary basis of accounting. Under this basis, revenues are recognized when cash is received. Expenditures are recognized for cash disbursements made during the fiscal year and for cash adjustments made in the lapse period, as defined by the Office of Administration.

All governmental funds reported by MoDOT have legally adopted annual budgets. The legal authority for approval of the Department's budget and amendments for the State Highways and Transportation Department Fund rests with the State Legislature. The Commission approves the State Road Fund budget and amendments. The fund level is the legal level of control for the State Road Fund. However, at any time, the Commission may approve the Department to spend more or less than the State Legislature or the fund level of the State Road Fund, which will drive the Department's budget to be higher or lower than the other legal limits.

The Department develops its budget through processes involving the districts and the central office divisions. Upon Commission approval, the legislative budget request is sent to the Office of Administration by October 1 and is forwarded to the Governor's Office. The Governor develops a recommendation regarding the budget and forwards both the budget request and the recommendation to the Legislature. The Legislature generally acts on budget matters between January and May. The Governor has veto authority and generally acts on those matters in June. Upon Commission approval in June, the Department then internally distributes available funds based on input and feedback from the districts and central office divisions.

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability (NPL)*

<u>Actuarial Valuation Date</u>	<u>MoDOT's Proportion of NPL</u>	<u>MoDOT's Share of NPL</u>	<u>MoDOT's Covered Payroll</u>	<u>MoDOT's NPL as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2017	62.01%	\$1,012,417,855	\$219,668,222	460.88%	57.06%
6/30/2016	62.03	1,097,719,514	212,224,044	517.25	52.96
6/30/2015	62.23	1,061,941,581	212,044,879	500.81	54.08
6/30/2014	63.79	1,079,844,816	213,845,536	504.96	53.63

*This schedule will ultimately present ten years of data when available.

Required Supplementary Information

Schedule of Pension Contributions

<u>Fiscal Year</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as of Percentage of Covered Payroll</u>
2018	\$127,168,503	\$127,168,503	\$ ---	\$219,256,193	58.00%
2017	127,407,569	127,407,569	---	219,668,222	58.00
2016	123,196,057	123,196,057	---	212,224,044	58.05
2015	124,597,572	124,597,572	---	212,044,881	58.76
2014	116,000,251	116,000,251	---	213,845,536	54.24
2013	107,190,383	107,190,383	---	210,507,429	50.92
2012	102,014,954	102,014,954	---	224,455,344	45.45
2011	99,109,317	99,109,317	---	251,164,672	39.46
2010	83,667,034	83,667,034	---	266,455,521	31.40
2009	82,112,149	82,112,149	---	267,292,152	30.72
2008	81,450,011	81,450,011	---	262,657,307	31.01

There were no changes to the plan's benefit terms or to assumptions used in the valuation for the plan year ended June 30, 2017.

Required Supplementary Information

Schedule of Proportionate Share of Net OPEB Liability Last 10 Fiscal Years*

(Dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Department's Proportion of Net OPEB Liability</u>	<u>Department's Proportionate Share of the Net OPEB Liability</u>	<u>Department's Covered Employee Payroll</u>	<u>Department's Proportionate Share of The Net OPEB Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2018	\$776,187	\$776,187	\$226,826	342%	n/a
2017	845,952	845,952	220,401	383	n/a

*The amounts presented for each fiscal year were determined as of the measurement date. This schedule will ultimately present ten years of data when available.

The Insurance Plan is an internal service fund of the Department and is funded on a pay-as-you-go basis. The Plan is not a trust and does not have a fiduciary net position.

Required Supplementary Information

Schedule of Proportionate Share of Net OPEB Contributions Last 10 Fiscal Years*

(Dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency/Excess</u>	<u>Department's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2018	\$---	\$17,146	\$---	\$226,826	8.0%
2017	---	15,985	---	220,401	7.0

*The amounts presented for each year were determined as of the fiscal year end. This schedule will ultimately present ten years of data when available.

The Insurance Plan is an internal service fund of the Department and is financed on a pay-as-you go basis. The Plan's funding is not based on covered payroll; the required information is displayed for information purposes. Refer to the Medical and Life Insurance Plan and Other Post-Employee Benefits disclosures in the Notes to the Financial Statements for further information on the Insurance Plan.

Required Supplementary Information

Schedule of Changes in the Department's Total OPEB Liability and Related Ratios* (Dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>
Service cost	31,492	---
Interest	24,779	---
Changes of benefit terms	---	---
Difference between expected and actual experience	---	---
Changes of assumptions or other inputs	(110,051)	---
Benefit payments	<u>(15,985)</u>	---
Net change in total OPEB liability	(69,765)	---
Total OPEB liability beginning	845,952	---
Total OPEB liability ending	776,187	845,952
Covered employee payroll	226,826	220,401
Total OPEB liability as a percentage of covered employee payroll	342%	383%

There were no changes in benefit terms. The change in assumption was the discount rate.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each fiscal year. Discount rates used for fiscal years 2018 and 2017 were 3.58 percent and 2.85 percent, respectively.

* This schedule will ultimately present ten years of data when available.



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Combining Financial Statements Nonmajor Governmental Funds

Combining Balance Sheets

Nonmajor Governmental Funds – Special Revenue

June 30, 2018

With Summarized Financial Information for 2017

	Multimodal Federal and State Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Assets					
Cash and cash equivalents	\$ 2,084,801	\$4,245,793	\$6,714,798	\$2,703,282	\$127,897
State taxes and fees receivable	---	463,875	520,516	---	---
Federal government receivable	2,835,850	---	---	---	119,995
Miscellaneous receivables, net	4,754,901	---	15,777	23,695	---
Loans receivable	---	---	---	1,457,681	---
Total assets	<u>\$ 9,675,552</u>	<u>\$4,709,668</u>	<u>\$7,251,091</u>	<u>\$4,184,658</u>	<u>\$247,892</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 8,768,729	\$ 5,780	\$ 133,864	\$ 8,064	\$ 115,559
Accrued payroll	21,682	9,130	34,894	---	---
Unearned revenue	1,195,326	---	---	---	---
Due to other funds	18,210	7,701	29,422	---	---
Total liabilities	<u>10,003,947</u>	<u>22,611</u>	<u>198,180</u>	<u>8,064</u>	<u>115,559</u>
Deferred Inflows of Resources					
Deferred revenues	---	---	---	---	---
Total deferred inflows of resources	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances					
Unassigned	(328,395)	---	---	---	---
Restricted – highways and transportation	---	4,687,057	7,052,911	4,176,594	132,333
Total fund balances	<u>(328,395)</u>	<u>4,687,057</u>	<u>7,052,911</u>	<u>4,176,594</u>	<u>132,333</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,675,552</u>	<u>\$4,709,668</u>	<u>\$7,251,091</u>	<u>\$4,184,658</u>	<u>\$247,892</u>

Grade Crossing Safety Fund	Railroad Expense Fund	Highway Safety Fund	Motorcycle Safety Fund	Total	
				2018	2017
\$2,432,457	\$537,824	\$ 122,719	\$144,311	\$19,113,882	\$21,485,089
132,602	---	---	---	1,116,993	532,675
---	---	2,000,490	---	4,956,335	11,251,685
38,923	---	---	---	4,833,296	2,680,502
---	---	---	---	1,457,681	1,107,569
<u>\$2,603,982</u>	<u>\$537,824</u>	<u>\$2,123,209</u>	<u>\$144,311</u>	<u>\$31,478,187</u>	<u>\$37,057,520</u>
\$ 30,863	\$ 11,973	\$1,816,498	\$ ---	\$10,891,330	\$14,884,213
---	26,717	20,657	---	113,080	116,672
---	---	---	---	1,195,326	521,539
---	75,219	---	---	130,552	41,899
<u>30,863</u>	<u>113,909</u>	<u>1,837,155</u>	<u>---</u>	<u>12,330,288</u>	<u>15,564,323</u>
<u>38,923</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>38,923</u>	<u>38,312</u>
<u>38,923</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>38,923</u>	<u>38,312</u>
---	---	---	---	(328,395)	---
<u>2,534,196</u>	<u>423,915</u>	<u>286,054</u>	<u>144,311</u>	<u>19,437,371</u>	<u>21,454,885</u>
<u>2,534,196</u>	<u>423,915</u>	<u>286,054</u>	<u>144,311</u>	<u>19,108,976</u>	<u>21,454,885</u>
<u>\$2,603,982</u>	<u>\$537,824</u>	<u>\$2,123,209</u>	<u>\$144,311</u>	<u>\$31,478,187</u>	<u>\$37,057,520</u>

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Multimodal Federal and State Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Revenues					
Fuel taxes	\$ ---	\$ ---	\$ 260,531	\$ ---	\$ ---
Sales taxes	---	4,931,303	7,325,423	---	---
Licenses, fees and permits	---	---	---	500	---
Intergovernmental/cost reimbursements/miscellaneous	2,179,011	---	446	---	65
Investment earnings	---	14	75,132	66,000	---
American Recovery and Reinvestment Act	---	---	---	---	---
State government	13,911,843	---	---	---	---
Federal government	<u>53,632,132</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,970,783</u>
Total revenues	<u>69,722,986</u>	<u>4,931,317</u>	<u>7,661,532</u>	<u>66,500</u>	<u>1,970,848</u>
Expenditures					
Current					
Maintenance	---	---	---	---	1,970,850
Multimodal operations	70,633,718	4,905,708	8,670,735	582	---
Capital outlay	<u>440,372</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>71,074,090</u>	<u>4,905,708</u>	<u>8,670,735</u>	<u>582</u>	<u>1,970,850</u>
Excess of revenues over (under) expenditures	<u>(1,351,104)</u>	<u>25,609</u>	<u>(1,009,203)</u>	<u>65,918</u>	<u>(2)</u>
Other Financing Sources (Uses)					
Capital asset sales	---	---	---	---	1,650
Transfers out	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total other financing sources (uses)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,650</u>
Net Changes in Fund Balances	<u>(1,351,104)</u>	<u>25,609</u>	<u>(1,009,203)</u>	<u>65,918</u>	<u>1,648</u>
Fund Balances, beginning of year	<u>1,022,709</u>	<u>4,661,448</u>	<u>8,062,114</u>	<u>4,110,676</u>	<u>130,685</u>
Fund Balances, end of year	<u>\$ (328,395)</u>	<u>\$4,687,057</u>	<u>\$ 7,052,911</u>	<u>\$4,176,594</u>	<u>\$ 132,333</u>

<u>Grade Crossing Safety Fund</u>	<u>Railroad Expense Fund</u>	<u>Highway Safety Fund</u>	<u>Motorcycle Safety Fund</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ 260,531	\$ 258,712
---	---	---	---	12,256,726	8,672,599
1,432,049	968,288	---	274,927	2,675,764	2,431,986
12,298	---	13,876	---	2,205,696	1,658,752
---	---	---	---	141,146	83,042
---	---	---	---	---	6,577,367
---	---	---	---	13,911,843	22,136,245
---	---	<u>13,861,717</u>	---	<u>69,464,632</u>	<u>78,484,273</u>
<u>1,444,347</u>	<u>968,288</u>	<u>13,875,593</u>	<u>274,927</u>	<u>100,916,338</u>	<u>120,302,976</u>
---	---	13,877,268	367,698	16,215,816	18,786,939
1,304,858	1,080,421	---	---	86,596,022	101,348,830
---	---	---	---	<u>440,372</u>	<u>573,781</u>
<u>1,304,858</u>	<u>1,080,421</u>	<u>13,877,268</u>	<u>367,698</u>	<u>103,252,210</u>	<u>120,709,550</u>
<u>139,489</u>	<u>(112,133)</u>	<u>(1,675)</u>	<u>(92,771)</u>	<u>(2,335,872)</u>	<u>(406,574)</u>
---	---	---	---	1,650	5,613
<u>(11,687)</u>	---	---	---	<u>(11,687)</u>	---
<u>(11,687)</u>	---	---	---	<u>(10,037)</u>	<u>5,613</u>
127,802	(112,133)	(1,675)	(92,771)	(2,345,909)	(400,961)
<u>2,406,394</u>	<u>536,048</u>	<u>287,729</u>	<u>237,082</u>	<u>21,454,885</u>	<u>21,855,846</u>
<u>\$2,534,196</u>	<u>\$ 423,915</u>	<u>\$ 286,054</u>	<u>\$144,311</u>	<u>\$ 19,108,976</u>	<u>\$ 21,454,885</u>



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Combining Financial Statements Proprietary Funds

Combining Statements of Net Position

Proprietary Funds – Internal Service

June 30, 2018

With Summarized Financial Information for 2017

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2018	2017
Assets				
Current assets				
Cash and cash equivalents	\$12,261,140	\$ 6,675,565	\$ 18,936,705	\$ 22,684,859
Investments	3,943,233	8,573,806	12,517,039	7,553,551
Restricted investments	100,000	200,000	300,000	100,000
Miscellaneous receivables	<u>2,461,556</u>	<u>491,106</u>	<u>2,952,662</u>	<u>2,880,669</u>
Total current assets	<u>18,765,929</u>	<u>15,940,477</u>	<u>34,706,406</u>	<u>33,219,079</u>
Noncurrent assets				
Investments	24,221,690	90,420,524	114,642,214	112,139,408
Restricted investments	---	---	---	200,000
Total noncurrent assets	<u>24,221,690</u>	<u>90,420,524</u>	<u>114,642,214</u>	<u>112,339,408</u>
Total assets	<u>42,987,619</u>	<u>106,361,001</u>	<u>149,348,620</u>	<u>145,558,487</u>
Liabilities				
Current liabilities				
Accounts payable	1,479,163	32,900	1,512,063	2,073,223
Unearned revenue	9,736,699	---	9,736,699	9,000,786
Pending self insurance claims	---	18,800,000	18,800,000	18,554,000
Incurred but not reported claims	<u>12,500,000</u>	<u>5,445,000</u>	<u>17,945,000</u>	<u>17,513,000</u>
Total current liabilities	<u>23,715,862</u>	<u>24,277,900</u>	<u>47,993,762</u>	<u>47,141,009</u>
Noncurrent liabilities				
Pending self insurance claims	---	44,352,727	44,352,727	45,911,362
Incurred but not reported claims	---	<u>12,846,000</u>	<u>12,846,000</u>	<u>12,898,000</u>
Total noncurrent liabilities	---	<u>57,198,727</u>	<u>57,198,727</u>	<u>58,809,362</u>
Total liabilities	<u>23,715,862</u>	<u>81,476,627</u>	<u>105,192,489</u>	<u>105,950,371</u>
Net Position				
Restricted net position	100,000	200,000	300,000	300,000
Unrestricted net position	<u>19,171,757</u>	<u>24,684,374</u>	<u>43,856,131</u>	<u>39,308,116</u>
Total net position	<u>\$19,271,757</u>	<u>\$ 24,884,374</u>	<u>\$ 44,156,131</u>	<u>\$ 39,608,116</u>

Combining Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds – Internal Service

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2018	2017
Operating Revenues				
Self insurance premiums				
Highway workers' compensation	\$ ---	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Highway patrol workers' compensation	---	2,400,000	2,400,000	2,400,000
Highway fleet vehicle liability	---	1,400,000	1,400,000	1,400,000
Highway general liability	---	10,500,000	10,500,000	10,500,000
Medical insurance premiums				
State	91,005,733	---	91,005,733	83,984,937
Member	47,072,328	---	47,072,328	44,802,994
Other	10,620,669	365,884	10,986,553	8,497,092
Total operating revenues	<u>148,698,730</u>	<u>20,665,884</u>	<u>169,364,614</u>	<u>157,585,023</u>
Operating Expenses				
Self insurance programs				
Highway workers' compensation	---	7,120,556	7,120,556	7,675,779
Highway patrol workers' compensation	---	3,585,391	3,585,391	2,288,997
Highway fleet vehicle liability	---	1,142,855	1,142,855	2,368,566
Highway general liability	---	8,331,203	8,331,203	(4,025,947)
Other	---	1,135,162	1,135,162	1,363,114
Medical and life insurance program				
Insurance premiums	7,238,950	---	7,238,950	7,225,156
Medical benefits	99,507,539	---	99,507,539	100,182,279
Prescription drug benefits	30,038,517	---	30,038,517	28,139,622
Professional fees	950,162	---	950,162	1,089,654
Administrative services	5,901,779	---	5,901,779	6,097,677
Total operating expenses	<u>143,636,947</u>	<u>21,315,167</u>	<u>164,952,114</u>	<u>152,404,897</u>
Operating income (loss)	<u>5,061,783</u>	<u>(649,283)</u>	<u>4,412,500</u>	<u>5,180,126</u>
Nonoperating Revenues				
Net appreciation and investment income	118,883	16,632	135,515	320,707
Total nonoperating revenues	<u>118,883</u>	<u>16,632</u>	<u>135,515</u>	<u>320,707</u>
Changes in Net Position	5,180,666	(632,651)	4,548,015	5,500,833
Net Position, beginning of year	<u>14,091,091</u>	<u>25,517,025</u>	<u>39,608,116</u>	<u>34,107,283</u>
Net Position, end of year	<u>\$ 19,271,757</u>	<u>\$ 24,884,374</u>	<u>\$ 44,156,131</u>	<u>\$ 39,608,116</u>

Combining Statements of Cash Flows

Proprietary Funds – Internal Service

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2018	2017
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 148,710,729	\$ 20,665,884	\$ 169,376,613	\$ 157,751,403
Payments for interfund services used	(135,849,093)	(21,312,640)	(157,161,733)	(148,584,666)
Payments to suppliers	<u>(7,413,101)</u>	<u>(1,135,162)</u>	<u>(8,548,263)</u>	<u>(8,586,230)</u>
Net cash provided by (used in) operating activities	<u>5,448,535</u>	<u>(1,781,918)</u>	<u>3,666,617</u>	<u>580,507</u>
Cash Flows From Investing Activities				
Proceeds from sale and maturities of investments	6,337,299	25,263,107	31,600,406	49,789,659
Purchases of investments	(13,057,580)	(28,586,662)	(41,644,242)	(51,759,229)
Interest received	615,307	2,139,153	2,754,461	2,437,552
Investment fees	<u>(31,149)</u>	<u>(94,246)</u>	<u>(125,395)</u>	<u>(121,210)</u>
Net cash provided by (used in) investing activities	<u>(6,136,123)</u>	<u>(1,278,648)</u>	<u>(7,414,770)</u>	<u>346,772</u>
Net increase (decrease) in cash and cash equivalents	(687,588)	(3,060,566)	(3,748,153)	927,279
Cash and Cash Equivalents, beginning of year	<u>12,948,728</u>	<u>9,736,131</u>	<u>22,684,859</u>	<u>21,757,580</u>
Cash and Cash Equivalents, end of year	<u>\$ 12,261,140</u>	<u>\$ 6,675,565</u>	<u>\$ 18,936,706</u>	<u>\$ 22,684,859</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 5,061,783	\$ (649,283)	\$ 4,412,500	\$ 5,180,126
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Receivables	11,999	---	11,999	166,380
Accounts and claims payable	(361,160)	(1,132,635)	(1,493,795)	(5,605,781)
Unearned revenue	<u>735,913</u>	<u>---</u>	<u>735,913</u>	<u>839,782</u>
Net cash provided by (used in) operating activities	<u>\$ 5,448,535</u>	<u>\$ (1,781,918)</u>	<u>\$ 3,666,617</u>	<u>\$ 580,507</u>
Noncash Items Impacting Recorded Assets				
Increase (decrease) in fair value of investments	<u>\$ (497,689)</u>	<u>\$ (2,079,853)</u>	<u>\$ (2,577,542)</u>	<u>\$ (2,044,174)</u>

Combining Financial Statements Fiduciary Funds



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Combining Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2018

With Summarized Financial Information for 2017

	<u>Local Fund</u>	<u>MCS Agency Fund</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Assets				
Restricted cash and cash equivalents	\$30,388,959	\$8,090,867	\$38,479,826	\$39,915,420
Other	---	13,437	13,437	5,299
Total assets	<u>\$30,388,959</u>	<u>\$8,104,304</u>	<u>\$38,493,263</u>	<u>\$39,920,719</u>
Liabilities				
Due to other governments	\$ ---	\$8,104,304	\$ 8,104,304	\$ 4,726,459
Advances from other governments	<u>30,388,959</u>	---	<u>30,388,959</u>	<u>35,194,260</u>
Total liabilities	<u>\$30,388,959</u>	<u>\$8,104,304</u>	<u>\$38,493,263</u>	<u>\$39,920,719</u>

Combining Statements of Changes in Assets and Liabilities

Fiduciary Funds – Agency

Years ended June 30, 2018 and 2017

	2018			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Local Fund				
Assets				
Restricted cash and cash equivalents	\$35,194,260	\$ 27,352,906	\$ 32,158,207	\$30,388,959
Total assets	<u>\$35,194,260</u>	<u>\$ 27,352,906</u>	<u>\$ 32,158,207</u>	<u>\$30,388,959</u>
Liabilities				
Advances from other governments	\$35,194,260	\$ 27,342,466	\$ 32,147,767	\$30,388,959
Total liabilities	<u>\$35,194,260</u>	<u>\$ 27,342,466</u>	<u>\$ 32,147,767</u>	<u>\$30,388,959</u>
MCS Agency Fund				
Assets				
Restricted cash and cash equivalents	\$ 4,721,160	\$211,078,014	\$207,708,307	\$ 8,090,867
Other	5,299	124,955	116,817	13,437
Total assets	<u>\$ 4,726,459</u>	<u>\$211,202,969</u>	<u>\$207,825,124</u>	<u>\$ 8,104,304</u>
Liabilities				
Due to other governments	\$ 4,726,459	\$211,202,970	\$207,825,125	\$ 8,104,304
Total liabilities	<u>\$ 4,726,459</u>	<u>\$211,202,970</u>	<u>\$207,825,125</u>	<u>\$ 8,104,304</u>
Totals				
Assets				
Restricted cash and cash equivalents	\$39,915,420	\$238,430,920	\$239,866,514	\$38,479,826
Other	5,299	124,955	116,817	13,437
Total assets	<u>\$39,920,719</u>	<u>\$238,555,875</u>	<u>\$239,983,331</u>	<u>\$38,493,263</u>
Liabilities				
Due to other governments	\$ 4,726,459	\$211,202,971	\$207,825,125	\$ 8,104,304
Advances from other governments	35,194,260	27,342,465	32,147,767	30,388,959
Total liabilities	<u>\$39,920,719</u>	<u>\$238,545,436</u>	<u>\$239,972,892</u>	<u>\$38,493,263</u>

2017			
<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
\$33,907,810	\$ 10,955,802	\$ 9,669,352	\$35,194,260
<u>\$33,907,810</u>	<u>\$ 10,955,802</u>	<u>\$ 9,669,352</u>	<u>\$35,194,260</u>
 \$33,907,810	 \$ 10,813,770	 \$ 9,527,320	 \$35,194,260
<u>\$33,907,810</u>	<u>\$ 10,813,770</u>	<u>\$ 9,527,320</u>	<u>\$35,194,260</u>
\$ 4,473,841	\$205,849,416	\$205,602,097	\$ 4,721,160
774	49,153	44,628	5,299
<u>\$ 4,474,615</u>	<u>\$205,898,569</u>	<u>\$205,646,725</u>	<u>\$ 4,726,459</u>
 \$ 4,474,615	 \$205,898,569	 \$205,646,725	 \$ 4,726,459
<u>\$ 4,474,615</u>	<u>\$205,898,569</u>	<u>\$205,646,725</u>	<u>\$ 4,726,459</u>
\$38,381,651	\$216,805,218	\$215,271,449	\$39,915,420
774	49,153	44,628	5,299
<u>\$38,382,425</u>	<u>\$216,854,371</u>	<u>\$215,316,077</u>	<u>\$39,920,719</u>
 \$ 4,474,615	 \$205,898,569	 \$ 205,646,725	 \$ 4,726,459
<u>33,907,810</u>	<u>10,813,770</u>	<u>9,527,320</u>	<u>35,194,260</u>
<u>\$38,382,425</u>	<u>\$ 216,712,339</u>	<u>\$ 215,174,045</u>	<u>\$39,920,719</u>



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Budgetary Comparison Schedules and Reconciliations Debt Service and Nonmajor Governmental Funds

Budgetary Comparison Schedule and Reconciliation

Debt Service – State Road Bond Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$ 41,360,028	\$ 41,360,028	\$ ---	\$ ---
Resources (inflows)				
Vehicle sales taxes	186,146,000	182,762,642	(3,383,358)	1,522,959
Interest	230,000	1,091,662	861,662	361,805
Amount available for appropriation	<u>227,736,028</u>	<u>225,214,332</u>	<u>(2,521,696)</u>	<u>1,884,764</u>
Charges to appropriations (outflows)				
Bond principal and interest payments	177,690,143	177,671,787	18,356	187,868
Total charges to appropriations	<u>177,690,143</u>	<u>177,671,787</u>	<u>18,356</u>	<u>187,868</u>
Budgetary fund balance, end of year	<u>\$ 50,045,885</u>	<u>\$ 47,542,545</u>	<u>\$ (2,503,340)</u>	<u>\$2,072,632</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$47,542,545
Receivables	17,543,808
Change in fair value of investments	<u>(379,156)</u>
GAAP basis fund balance, end of year	<u>\$64,707,197</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Multimodal Federal and State Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$ 2,021,872	\$ 2,021,872	\$ ---	\$ ---
Resources (inflows)				
State government	13,824,926	11,807,535	(2,017,391)	(232,227)
Intergovernmental/cost reimbursement/miscellaneous	---	2,852,766	2,852,766	1,541,868
American Recovery and Reinvestment Act	---	---	---	(122,633)
Federal government	<u>87,536,149</u>	<u>60,243,061</u>	<u>(27,293,088)</u>	<u>(29,703,957)</u>
Amount available for appropriation	<u>103,382,947</u>	<u>76,925,234</u>	<u>(26,457,713)</u>	<u>(28,516,949)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	296,069	293,533	2,536	---
Fringe benefits	247,302	246,485	817	---
Expense and equipment	359,316	107,736	251,580	255,969
Program	<u>100,480,888</u>	<u>74,192,679</u>	<u>26,288,209</u>	<u>28,324,827</u>
Total charges to appropriations	<u>101,383,575</u>	<u>74,840,433</u>	<u>26,543,142</u>	<u>28,580,796</u>
Budgetary fund balance, end of year	<u>\$ 1,999,372</u>	<u>\$ 2,084,801</u>	<u>\$ 85,429</u>	<u>\$ 63,847</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$ 2,084,801
Receivables	7,590,751
Payables	(8,790,411)
Unearned revenues	(1,195,326)
Due to other funds	<u>(18,210)</u>
GAAP basis fund balance, end of year	<u>\$ (328,395)</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - State Transportation Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$4,276,393	\$4,276,393	\$ ---	\$ ---
Resources (inflows)				
Reimbursements/miscellaneous	---	---	---	---
Sales taxes	4,747,167	4,873,514	126,347	185,038
Amount available for appropriation	<u>9,023,560</u>	<u>9,149,907</u>	<u>126,347</u>	<u>185,038</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	153,428	152,560	868	4,108
Fringe benefits	128,431	123,556	4,875	2,236
Expense and equipment	66,452	37,715	28,737	30,756
Program	4,736,844	4,590,283	146,562	90,460
Total charges to appropriations	<u>5,085,155</u>	<u>4,904,114</u>	<u>181,042</u>	<u>127,560</u>
Budgetary fund balance, end of year	<u>\$3,938,405</u>	<u>\$4,245,793</u>	<u>\$307,389</u>	<u>\$312,598</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$4,245,793
Receivables	463,875
Payables	(14,910)
Due to other funds	<u>(7,701)</u>
GAAP basis fund balance, end of year	<u>\$4,687,057</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - Aviation Trust Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$ 8,570,948	\$ 8,570,948	\$ ---	\$ ---
Resources (inflows)				
Fuel taxes	260,634	258,963	(1,671)	(2,640)
Sales taxes	5,390,827	6,839,166	(1,448,339)	(1,440,029)
Interest	75,527	81,378	(8,851)	(31,135)
Intergovernmental/cost				
Reimbursements/miscellaneous	---	446	446	860
Amount available for appropriation	<u>14,294,936</u>	<u>15,750,901</u>	<u>(1,455,965)</u>	<u>(1,472,944)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	485,225	483,360	1,865	20,807
Fringe benefits	391,298	364,160	27,138	42,566
Expense and equipment	216,369	177,434	38,935	13,444
Program	<u>9,260,000</u>	<u>7,985,254</u>	<u>1,274,746</u>	<u>3,742,797</u>
Total charges to appropriations	<u>10,352,892</u>	<u>9,010,208</u>	<u>1,342,684</u>	<u>3,819,614</u>
Budgetary fund balance, end of year	<u>\$ 3,942,044</u>	<u>\$ 6,740,693</u>	<u>\$ 2,798,649</u>	<u>\$ 2,346,670</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$6,740,693
Receivables	536,293
Payables	(168,758)
Due to other funds	(29,422)
Change in fair value of investments	<u>(25,895)</u>
GAAP basis fund balance, end of year	<u>\$7,052,911</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – State Transportation Assistance Revolving Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$3,093,700	\$3,093,700	\$ ---	\$ ---
Resources (inflows)				
License fees, and permits	---	---	---	255
Interest	---	61,904	61,904	51,064
Intergovernmental/cost reimbursements/miscellaneous	<u>881,599</u>	<u>372,205</u>	<u>(509,394)</u>	<u>(168,133)</u>
Amount available for appropriation	<u>3,975,299</u>	<u>3,527,809</u>	<u>(447,490)</u>	<u>(116,814)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Expense and equipment	582	582	---	---
Program	<u>881,017</u>	<u>813,520</u>	<u>67,497</u>	<u>298,199</u>
Total charges to appropriations	<u>881,599</u>	<u>814,102</u>	<u>67,497</u>	<u>298,199</u>
Budgetary fund balance, end of year	<u>\$3,093,700</u>	<u>\$2,713,707</u>	<u>\$ (379,993)</u>	<u>\$ 181,385</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$2,713,707
Receivables	1,481,376
Payables	(8,064)
Change in fair value of investments	<u>(10,425)</u>
GAAP basis fund balance, end of year	<u>\$4,176,594</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – MCS Federal Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$ 130,036	\$ 130,036	\$ ---	\$ ---
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	---	1,715	1,715	5,653
Federal government	<u>2,999,725</u>	<u>1,907,851</u>	<u>(1,091,874)</u>	<u>(23,901)</u>
Amount available for appropriation	<u>3,129,761</u>	<u>2,039,602</u>	<u>(1,090,159)</u>	<u>(18,248)</u>
Charges to appropriations (outflows)				
Maintenance				
Program	<u>2,999,725</u>	<u>1,911,705</u>	<u>1,088,020</u>	<u>23,200</u>
Total charges to appropriations	<u>2,999,725</u>	<u>1,911,705</u>	<u>1,088,020</u>	<u>23,200</u>
Budgetary fund balance, end of year	\$ <u>130,036</u>	\$ <u>127,897</u>	\$ <u>(2,139)</u>	\$ <u>4,952</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$127,897
Receivables	119,995
Payables	<u>(115,559)</u>
GAAP basis fund balance, end of year	<u>\$132,333</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Grade Crossing Safety Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$2,380,198	\$2,380,198	\$ ---	\$ ---
Resources (inflows)				
License, fees and permits	1,353,799	1,359,193	5,394	(225,223)
Intergovernmental/cost reimbursements/miscellaneous	---	11,687	11,687	14,431
Amount available for appropriation	<u>3,733,997</u>	<u>3,751,078</u>	<u>17,081</u>	<u>(210,792)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Expense and equipment	13,841	13,841	---	---
Program	<u>3,000,000</u>	<u>1,304,780</u>	<u>1,695,220</u>	<u>2,590,990</u>
Total charges to appropriations	<u>3,013,841</u>	<u>1,318,621</u>	<u>1,695,220</u>	<u>2,590,990</u>
Budgetary fund balance, end of year	<u>\$ 720,156</u>	<u>\$2,432,457</u>	<u>\$1,712,301</u>	<u>\$2,380,198</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$2,432,457
Receivables	171,525
Payables	(30,863)
Deferred revenues	<u>(38,923)</u>
GAAP basis fund balance, end of year	<u>\$2,534,196</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Railroad Expense Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$ 584,415	\$ 584,415	\$ ---	\$ ---
Resources (inflows)				
License, fees and permits	891,934	968,288	76,354	(708,834)
Amount available for appropriation	<u>1,476,349</u>	<u>1,552,703</u>	<u>76,354</u>	<u>(708,834)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	409,862	406,089	3,773	45,367
Fringe benefits	369,571	317,078	52,493	54,115
Expense and equipment	481,364	291,712	189,652	38,397
Total charges to appropriations	<u>1,260,797</u>	<u>1,014,879</u>	<u>245,918</u>	<u>137,879</u>
Budgetary fund balance, end of year	\$ <u>215,552</u>	\$ <u>537,824</u>	<u>\$322,272</u>	<u>\$(570,955)</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$537,824
Payables	(38,690)
Due to other funds	(75,219)
GAAP basis fund balance, end of year	<u>\$423,915</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Highway Safety Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$ 214,878	\$ 214,878	\$ ---	\$ ---
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	---	13,876	13,876	1,661
Federal government	<u>20,596,189</u>	<u>13,609,070</u>	<u>(6,987,119)</u>	<u>(6,021,679)</u>
Amount available for appropriation	<u>20,811,067</u>	<u>13,837,824</u>	<u>(6,973,243)</u>	<u>(6,020,018)</u>
Charges to appropriations (outflows)				
Maintenance				
Personal service	295,748	250,796	44,952	38,589
Fringe benefits	246,048	220,409	25,639	33,084
Expense and equipment	54,393	54,389	4	3,035
Program	<u>20,000,000</u>	<u>13,189,511</u>	<u>6,810,489</u>	<u>6,160,188</u>
Total charges to appropriations	<u>20,596,189</u>	<u>13,715,105</u>	<u>6,881,084</u>	<u>6,234,896</u>
Transfers to Road Fund	---	---	---	---
Budgetary fund balance, end of year	<u>\$ 214,878</u>	<u>\$ 122,719</u>	<u>\$ (92,159)</u>	<u>\$ 214,878</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2018
Budgetary fund balance, end of year	\$ 122,719
Receivables	2,000,490
Payables	<u>(1,837,155)</u>
GAAP basis fund balance, end of year	<u>\$ 286,054</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Motorcycle Safety Fund

Year Ended June 30, 2018

With Summarized Financial Information for 2017

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2018	2017
Budgetary fund balance, beginning of year	\$237,082	\$237,082	\$ ---	\$ ---
Resources (inflows)				
License, fees and permits	<u>283,657</u>	<u>274,927</u>	<u>(8,730)</u>	<u>(3,660)</u>
Amount available for appropriation	<u>520,739</u>	<u>512,009</u>	<u>(8,730)</u>	<u>(3,660)</u>
Charges to appropriations (outflows)				
Maintenance				
Expense and equipment	3,256	3,256	---	---
Program	<u>425,000</u>	<u>364,442</u>	<u>60,558</u>	<u>134,143</u>
Total charges to appropriations	<u>428,256</u>	<u>367,698</u>	<u>60,558</u>	<u>134,143</u>
Budgetary fund balance, end of year	\$ <u>92,483</u>	\$ <u>144,311</u>	\$ <u>51,828</u>	\$ <u>130,483</u>

The following reconciliation is the difference between the state's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

	Actual 2018
Reconciliation to GAAP	
Budgetary fund balance, end of year	\$ <u>144,311</u>
GAAP basis fund balance, end of year	\$ <u>144,311</u>



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Statistical Section



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Statistical Section

Financial Trends

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These schedules are intended to assist in understanding and assessing the Department's financial performance over time.

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Sources:

Unless otherwise stated, information in the following tables is derived from the Missouri Department of Transportation (MoDOT) annual financial reports for the years shown.

Note:

The objective of this statistical section is to provide users with historical perspective by presenting information for multiple years. Schedules originate with the year that the Department began tracking the information, the tracking process or data collection system changed, or it became administratively feasible to report retroactively.



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Financial Trends

Net Position – Government-wide

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2018	\$28,498,201	\$ 300	\$ (854,851)	\$27,643,650
2017	27,978,519	300	(489,615)	27,489,204
2016	27,470,765	300	(424,498)	27,046,567
2015	27,079,459	300	(475,196)	26,604,563
2014	26,636,056	782,346	---	27,418,402
2013	26,077,114	875,904	---	26,953,018
2012	25,383,369	1,027,111	---	26,410,480
2011	24,603,720	1,390,363	---	25,994,083
2010	24,396,695	985,705	---	25,382,400
2009	24,461,090	678,643	---	25,139,733

Notes:

Amounts for 2009 include the restatement of beginning balances due to implementation of GASB 51, *Accounting and Financial Reporting for Intangible Assets*.

Amounts for fiscal years 2012, 2013 and 2014 were restated due to the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*, and to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

Amounts for 2015 include restatement of beginning balances due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, and to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

Amounts for fiscal years 2015 and 2016 were restated to correct errors related to infrastructure in progress.

Amounts for fiscal year 2018 beginning balances were restated due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Financial Trends

Changes in Net Position – Government-wide

Years Ended June 30

(Amounts in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2015</u>	<u>2015</u>
Transportation Program Expenses				
Administration	\$ 8,890	\$ 24,255	\$ 25,374	\$ 24,672
Fleet, facilities and information systems	30,820	28,961	18,088	29,865
Maintenance	362,107	345,807	328,987	329,098
Construction	229,248	210,252	258,846	274,462
Multimodal operations	86,224	100,952	93,500	84,259
Interest	82,922	93,643	104,190	112,690
Other state agencies	224,811	234,614	225,148	226,370
Self insurance	21,315	9,671	21,604	21,376
Medical and life insurance	143,637	123,668	111,561	106,453
Pension obligations	76,746	87,675	78,196	91,858
Other post-employment benefit obligations	38,289	43,615	44,005	50,179
Depreciation	<u>531,289</u>	<u>512,940</u>	<u>474,320</u>	<u>454,219</u>
Total transportation program expenses	<u>1,836,298</u>	<u>1,816,053</u>	<u>1,783,819</u>	<u>1,805,501</u>
Transportation Program Revenues				
Charges for services				
Licenses, fees and permits	314,074	304,982	310,073	290,319
Member insurance premiums	47,072	44,803	41,989	39,870
Other	<u>87,171</u>	<u>74,825</u>	<u>68,200</u>	<u>55,454</u>
Total charges for services	448,317	424,610	420,262	385,643
Federal government				
American Recovery and Reinvestment Act	12,617	19,450	18,160	14,628
Operating	69,465	78,484	77,468	82,521
Capital	<u>949,145</u>	<u>847,191</u>	<u>826,329</u>	<u>763,952</u>
Total federal government	<u>1,031,227</u>	<u>945,125</u>	<u>921,957</u>	<u>861,101</u>
Total transportation program revenues	<u>1,479,544</u>	<u>1,369,735</u>	<u>1,342,219</u>	<u>1,246,744</u>
Net expense of transportation program	<u>(356,754)</u>	<u>(446,318)</u>	<u>(441,600)</u>	<u>(558,757)</u>
General Revenues				
Fuel taxes	521,273	512,713	517,366	493,076
Sales and use taxes	378,765	363,279	350,372	335,420
Unrestricted investment earnings	8,662	3,854	9,101	10,569
State appropriations	13,912	22,136	14,216	15,010
Gain (loss) on sale of capital assets	<u>(11,675)</u>	<u>(13,028)</u>	<u>(7,451)</u>	<u>(15,212)</u>
Total general revenues	<u>910,937</u>	<u>888,954</u>	<u>883,604</u>	<u>838,863</u>
Changes in Net Position	<u>\$ 554,183</u>	<u>\$ 442,636</u>	<u>\$ 442,004</u>	<u>\$ 280,106</u>

Notes:

Government-wide financial statements are prepared on a full accrual basis and include transactions related to capital assets and long-term obligations. These statements also include the effects of eliminating off-setting revenues and expenses related to the Department's internal service funds.

Amounts for fiscal years 2012, 2013 and 2014 were restated due to the implementation of GASB 65, Items Previously Reported as Assets and Liabilities, and to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

Amounts for 2015 include restatements to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

Amounts for fiscal year 2018 beginning balances were restated due to the implementation of GASB 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 32,791	\$ 32,244	\$ 30,040	\$ 33,168	\$ 33,648	\$ 34,834
32,790	34,905	37,268	44,866	55,543	54,464
420,000	398,274	389,803	412,469	433,729	424,327
194,552	222,767	321,048	318,551	268,009	257,943
89,148	89,184	68,282	64,873	110,151	85,999
129,873	136,493	140,710	147,720	138,106	106,538
208,610	199,660	214,696	198,814	177,646	174,587
19,407	15,336	13,894	29,222	31,967	19,210
97,483	94,695	97,137	94,472	90,644	89,774
---	---	---	---	---	---
50,586	75,152	75,896	79,025	83,132	65,804
<u>442,734</u>	<u>413,382</u>	<u>323,238</u>	<u>747,674</u>	<u>876,501</u>	<u>751,246</u>
<u>1,717,974</u>	<u>1,712,092</u>	<u>1,712,012</u>	<u>2,170,854</u>	<u>2,299,076</u>	<u>2,064,726</u>
290,153	283,022	284,677	274,673	284,337	290,399
38,169	37,328	35,636	32,591	30,868	29,047
<u>85,389</u>	<u>108,043</u>	<u>131,371</u>	<u>150,871</u>	<u>108,214</u>	<u>160,013</u>
413,711	428,393	451,684	458,135	423,419	479,459
28,765	49,912	99,266	248,894	298,421	28,279
87,531	87,689	73,930	57,953	84,212	76,569
<u>839,912</u>	<u>892,031</u>	<u>860,754</u>	<u>1,228,181</u>	<u>974,391</u>	<u>833,839</u>
<u>956,208</u>	<u>1,029,632</u>	<u>1,033,950</u>	<u>1,535,028</u>	<u>1,357,024</u>	<u>938,687</u>
<u>1,369,919</u>	<u>1,485,025</u>	<u>1,485,634</u>	<u>1,993,163</u>	<u>1,780,443</u>	<u>1,418,146</u>
<u>(348,055)</u>	<u>(254,067)</u>	<u>(226,378)</u>	<u>(177,691)</u>	<u>(518,633)</u>	<u>(646,580)</u>
489,984	486,529	496,608	499,416	503,488	499,506
311,761	304,163	291,279	269,336	250,432	233,810
13,755	(1,157)	13,309	13,950	12,123	27,607
14,347	11,630	11,130	11,132	12,111	16,634
<u>(14,408)</u>	<u>(4,560)</u>	<u>(3,223)</u>	<u>(4,460)</u>	<u>(16,854)</u>	<u>(1,928)</u>
<u>813,439</u>	<u>796,605</u>	<u>809,103</u>	<u>789,374</u>	<u>761,300</u>	<u>775,629</u>
<u>\$ 465,384</u>	<u>\$ 542,538</u>	<u>\$ 582,725</u>	<u>\$ 611,683</u>	<u>\$ 242,667</u>	<u>\$ 129,049</u>

Financial Trends

Changes in Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues				
Fuel taxes	\$ 521,273	\$ 512,714	\$ 517,366	\$ 493,076
Sales and use taxes	378,765	363,279	350,372	335,420
Licenses, fees and permits	314,073	305,001	310,073	290,319
Intergovernmental/cost reimbursements/miscellaneous	77,023	63,372	67,565	51,017
Investment earnings	8,553	3,565	6,359	8,655
American Recovery and Reinvestment Act	12,617	19,449	18,160	14,758
State government	13,912	22,136	14,216	15,010
Federal government	<u>1,019,594</u>	<u>923,970</u>	<u>907,421</u>	<u>841,855</u>
Total revenues	<u>2,345,810</u>	<u>2,213,486</u>	<u>2,191,532</u>	<u>2,050,110</u>
Expenditures				
Administration	55,773	50,824	51,365	50,713
Fleet, facilities and information systems	40,278	38,272	38,744	38,980
Maintenance	474,914	456,464	435,964	434,328
Construction	283,592	278,781	296,946	327,776
Multimodal operations	87,452	102,144	94,647	85,363
Capital outlay	854,871	711,180	690,878	714,888
Debt service - principal	200,237	308,650	175,103	188,913
Debt service - interest	102,274	117,312	125,274	128,536
Other state agencies	<u>255,141</u>	<u>262,666</u>	<u>251,143</u>	<u>251,408</u>
Total expenditures	<u>2,354,532</u>	<u>2,326,293</u>	<u>2,160,064</u>	<u>2,220,905</u>
Excess of revenues over (under) expenditures	(8,722)	(112,807)	31,468	(170,795)
Other Financing Sources (Uses)				
Notes issued	---	---	---	3,619
Bonds issued	---	---	---	---
Refunding bonds issued	---	---	---	---
Refunding bonds escrow payment	---	---	---	---
Bond interest rate swap	---	---	---	---
Premium on bonds	---	---	---	---
Discount on bonds	---	---	---	---
Capital leases issued	---	17	114	18
Refinancing capital leases issued	---	---	---	---
Capital lease termination payment	---	---	---	---
Capital asset sales	9,089	5,442	11,889	5,422
Transfers in	461,293	459,141	460,974	460,003
Transfers out	<u>(461,293)</u>	<u>(459,141)</u>	<u>(460,974)</u>	<u>(460,003)</u>
Total other financing sources (uses)	<u>9,089</u>	<u>5,459</u>	<u>12,003</u>	<u>9,059</u>
Net Changes in Fund Balances	\$ <u>367</u>	\$ <u>(107,348)</u>	\$ <u>43,471</u>	\$ <u>(161,736)</u>
Debt service as a percentage of noncapital expenditures	20%	26%	20%	21%
Debt service as a percentage of total revenues	13%	19%	14%	15%

Notes:

Governmental fund financial statements are prepared on a modified accrual basis to report changes in net current financial resources. These statements differ from cash-based budget reports primarily because revenues are recognized if they are collected within 60 days of the end of the fiscal year and expenditures are recorded when the related liability is incurred, except that certain long-term obligations are recognized to the extent they have matured.

Some amounts have been recategorized for comparability and implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011.

Amounts for 2015 include restatements of capital outlay and construction expenses related to adjustments made to infrastructure.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 489,984	\$ 486,529	\$ 496,608	\$ 499,416	\$ 503,488	\$ 499,506
311,761	304,163	291,279	269,336	251,343	234,599
290,158	283,022	284,614	274,709	284,909	290,925
84,753	138,732	138,629	131,809	128,160	139,105
11,679	(1,149)	11,011	11,548	8,957	23,417
28,635	49,912	99,265	248,834	298,333	28,279
14,346	11,630	11,131	11,132	12,111	16,634
<u>926,170</u>	<u>985,071</u>	<u>928,718</u>	<u>1,283,838</u>	<u>1,059,348</u>	<u>909,634</u>
<u>2,157,486</u>	<u>2,257,910</u>	<u>2,261,255</u>	<u>2,730,622</u>	<u>2,546,649</u>	<u>2,142,099</u>
48,547	46,936	46,636	48,833	49,247	49,224
35,904	38,058	41,133	49,110	59,586	56,986
450,577	454,740	440,357	450,103	471,740	466,143
216,563	241,931	354,259	338,482	293,021	273,099
89,332	89,404	68,481	65,112	110,412	86,202
849,897	956,489	1,112,769	1,249,787	1,405,741	1,307,318
178,903	165,332	143,582	166,854	102,261	103,123
148,936	150,721	155,534	162,911	146,006	115,468
<u>233,470</u>	<u>226,683</u>	<u>240,086</u>	<u>223,667</u>	<u>201,472</u>	<u>197,248</u>
<u>2,252,129</u>	<u>2,370,294</u>	<u>2,602,837</u>	<u>2,754,859</u>	<u>2,839,486</u>	<u>2,654,811</u>
(94,643)	(112,384)	(341,582)	(24,237)	(292,837)	(512,712)
13,240	9,493	9,097	10,095	10,910	1,856
---	---	---	---	1,085,000	142,735
900,990	---	---	130,390	---	---
(1,082,245)	---	---	(150,477)	---	---
---	---	---	---	---	---
185,693	---	---	20,972	30,631	2,835
---	---	---	---	---	---
(2,044)	116	12	4,869	3,284	581
---	---	---	---	---	---
---	---	---	---	---	---
7,488	13,301	10,591	9,358	7,252	6,830
476,745	511,732	496,854	515,181	536,864	527,110
<u>(476,745)</u>	<u>(511,732)</u>	<u>(496,854)</u>	<u>(515,181)</u>	<u>536,864</u>	<u>527,110</u>
<u>23,122</u>	<u>22,910</u>	<u>19,700</u>	<u>25,207</u>	<u>1,137,077</u>	<u>54,837</u>
\$ <u>(71,521)</u>	\$ <u>(89,474)</u>	\$ <u>(321,882)</u>	\$ <u>970</u>	\$ <u>(844,240)</u>	\$ <u>(357,875)</u>
23%	22%	20%	22%	17%	16%
15%	14%	13%	12%	10%	10%

Financial Trends

Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Nonspendable - Inventories</u>	<u>Restricted - Highways and Transportation</u>	<u>Unassigned</u>	<u>Total</u>
2018	\$33,738	\$ 872,201	\$ (328)	\$ 905,611
2017	38,790	866,455	---	905,245
2016	39,614	972,979	---	1,012,593
2015	37,574	931,548	---	969,122
2014	29,135	1,103,299	(1,576)	1,130,858
2013	34,841	1,167,773	(234)	1,202,380
2012	45,790	1,248,963	(2,899)	1,291,854
2011	46,731	1,567,005	---	1,613,736
2010	43,711	1,569,055	---	1,612,766
2009	47,693	1,210,523	(489,690)	768,526

Notes:

Amounts were reclassified in fiscal year 2011 due to implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Financial Trends

Expenditures of Federal Awards

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Roads and Bridges</u>	<u>Multimodal</u>	<u>Motor Carriers</u>	<u>Highway Safety</u>	<u>Total</u>
2017	\$ 844,971	\$61,228	\$4,963	\$16,782	\$ 927,944
2016	823,800	63,045	4,413	17,170	908,428
2015	761,537	56,573	3,925	35,039	857,074
2014	843,571	65,095	3,374	31,199	943,239
2013	912,736	61,776	3,225	40,381	1,018,118
2012	940,436	44,769	2,838	24,523	1,012,566
2011	1,459,615	43,409	1,576	18,517	1,523,117
2010	1,244,642	69,158	1,701	21,925	1,337,426
2009	858,715	52,741	1,207	25,377	938,040
2008	909,643	46,440	1,410	17,208	974,701
2007	800,933	47,658	1,327	34,637	884,555

Source:

MoDOT Schedule of Expenditures of Federal Awards prepared for inclusion in the State Auditor's single audit report for the state of Missouri

Notes:

Expenditures include State Emergency Management Agency amounts.

Fiscal year 2018 data is not yet available.

Revenue Capacity

Revenue Base – State Motor Fuel Taxes

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Gallons</u>	<u>Net State Receipts</u>	<u>Distribution</u>		
			<u>Cities</u>	<u>Counties</u>	<u>MoDOT</u>
2018	4,145,912	\$705,833	\$105,364	\$82,637	\$517,832
2017	4,129,221	699,355	105,590	82,815	510,950
2016	4,107,558	697,580	104,130	81,663	511,787
2015	4,009,046	680,045	103,909	81,487	494,649
2014	3,925,826	667,361	100,077	78,484	488,800
2013	3,919,121	666,106	99,433	77,980	488,693
2012	3,976,007	676,601	100,994	79,206	496,401
2011	4,033,033	685,447	103,065	80,851	501,531
2010	4,032,237	684,164	102,113	80,085	501,966
2009	4,002,068	680,862	101,685	79,750	499,427

Source:

MoDOT Financial Services Division

Notes:

Amounts are provided on a cash basis.

Dollar amounts are shown net of motor fuel tax refunds.

Revenue Capacity

Revenue Rates – State Motor Fuel Taxes

Years Ended June 30

(Cents per Gallon)

<u>Year</u>	<u>Total Fuel Tax Rate</u>	<u>Local Governments</u>	<u>MoDOT</u>
2018	17.00	4.55	12.45
2017	17.00	4.55	12.45
2016	17.00	4.55	12.45
2015	17.00	4.55	12.45
2014	17.00	4.55	12.45
2013	17.00	4.55	12.45
2012	17.00	4.55	12.45
2011	17.00	4.55	12.45
2010	17.00	4.55	12.45
2009	17.00	4.55	12.45

Source:

MoDOT Financial Services Division

Note:

Motor fuel tax rates are established by Chapter 142, RSMo. Increases in these rates require a statutory change.

Revenue Capacity

Principal Revenue Suppliers – State Motor Fuel Taxes

Year Ended June 30

(Amounts in Thousands)

	<u>2018</u>	<u>2009</u>
Gallons from top ten suppliers	3,542,521	3,333,457
Net revenue from top ten suppliers	\$ 602,229	\$ 566,687
Net revenue from all suppliers	\$ 705,833	\$ 680,862
Percentage from top ten suppliers	85%	83%

Sources:

Net revenue from top ten suppliers: Missouri Department of Revenue

Net revenue from all suppliers: MoDOT Financial Services Division

Remainder of information is extrapolated

Notes:

Top ten supplier information is released by the Department of Revenue only in the aggregate. Information on individual suppliers is not available. There are 115 total suppliers.



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Debt Capacity Ratios of Outstanding Debt

Years Ended June 30

(Amounts in Thousands Except Per Capita)

Debt Outstanding at June 30				
<u>Year</u>	<u>Road Bonds</u>	<u>Notes Issued</u>	<u>Capital Leases</u>	<u>Total</u>
2018	\$1,832,370	\$ 644	\$ 37	\$1,833,051
2017	2,032,555	644	89	2,033,288
2016	2,341,150	644	127	2,341,921
2015	2,509,620	7,230	60	2,516,910
2014	2,679,170	22,923	93	2,702,186
2013	2,918,000	26,404	2,269	2,946,673
2012	3,071,525	28,405	2,466	3,102,396
2011	3,204,715	23,678	8,476	3,236,869
2010	3,352,640	32,707	14,322	3,399,669
2009	2,355,925	27,164	19,646	2,402,735

Sources:

Personal Income: United States Department of Commerce, Bureau of Economic Analysis

Population: United States Department of Commerce, Census Bureau

Notes:

Personal income and population are reported on a calendar year basis within the applicable fiscal year.

<u>Ratio of Debt to Income</u>		<u>Ratio of Debt to Population</u>	
<u>Personal</u> <u>Income</u>	<u>Percentage of</u> <u>Personal</u> <u>Income</u>	<u>Population</u>	<u>Per Capita</u>
\$269,859,000	0.68%	6,114	\$300
268,379,000	0.76	6,093	334
263,751,000	0.89	6,084	385
255,748,000	0.98	6,064	415
238,095,000	1.13	6,044	447
223,049,000	1.32	6,022	490
229,986,000	1.35	6,011	516
217,486,000	1.49	6,012	538
213,238,000	1.59	5,987	568
205,288,000	1.17	5,912	406

Debt Capacity

Pledged Revenue Coverage Related to Revenue Bonds

Years Ended June 30

(Amounts in Thousands Except Coverage)

				<u>Senior Lien Bonds</u>		
<u>Year</u>	<u>Senior Bond Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Senior Net Pledged Revenues Available</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2018	\$994,132	\$383,969	\$610,162	\$58,455	\$ 9,270	9.01
2017	973,349	388,116	585,233	54,545	16,534	8.23
2016	968,300	372,800	595,500	51,965	19,090	8.38
2015	934,340	373,739	560,601	50,395	21,555	7.79
2014	914,514	348,537	565,977	47,815	23,877	7.89
2013	937,165	333,327	603,838	44,255	25,467	8.66
2012	935,399	342,240	593,159	31,790	26,868	10.11
2011	929,143	324,416	604,727	56,795	28,443	7.09
2010	916,929	281,320	635,609	41,280	32,386	8.63
2009	906,977	279,971	627,006	39,540	34,339	8.49

				<u>Federal Reimbursement</u>		
<u>Year</u>	<u>Federal Reimbursement Revenues (5)</u>	<u>Expenses</u>	<u>Federal Reimbursement Bonds Net Pledged Revenues</u>	<u>Principal</u>	<u>Interest (6)</u>	<u>Coverage</u>
2018	\$ 823,757	\$ ---	\$ 823,757	\$40,470	\$26,663	12.27
2017	699,433	---	699,433	38,795	28,374	10.41
2016	692,366	---	692,366	37,325	29,840	10.31
2015	624,417	---	624,417	36,000	31,203	9.29
2014	708,726	---	708,726	34,825	32,453	10.53
2013	771,710	---	771,710	33,450	33,161	11.59
2012	719,532	---	719,532	32,725	33,889	10.80
2011	1,226,128	---	1,226,128	30,595	36,026	18.40
2010	749,825	---	749,825	---	19,476	38.50
2009	712,574	---	712,574	---	2,596	274.44

Sources:

MoDOT Financial Services Division

Notes:

(1) Senior Bond Revenues consist of various percentages of the state motor fuel tax, sales and use taxes and motor vehicle fees, as set by the state's constitution and statutes. Revenues are reported net of refunds and exclude sales tax revenue deposited into the State Road Bond Fund.

(2) Operating Expenses consist of retirement benefit costs, the cost of enforcement of motor vehicle laws and the cost of collection of taxes and fees. The cost of collection reflects actual expenditures and does not reflect any Missouri Department of Revenue refunds associated with spending over the three percent cap during previous years.

(3) First, Second, Third Lien Revenues consist of sales taxes deposited into the State Road Bond Fund.

(4) First, Second, Third Lien Net Pledged Revenues consist of excess Senior Net Pledged Revenues and sales tax deposited into the State Road Bond Fund.

(5) Federal Reimbursement Revenues exclude American Recovery and Reinvestment Act revenue and amounts passed through to other political entities. For debt service coverage calculation purposes, excess First, Second, Third Lien Net Revenues are not included.

(6) Federal reimbursement interest is reported net of federal subsidies associated with Build America Bonds.

First, Second, Third Lien Revenues (3)	First, Second, Third Lien Net Pledged Revenues (4)	First Lien			Second Lien			Third Lien		
		<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
\$182,763	\$725,200	\$19,955	\$28,314	15.02	\$61,700	\$15,461	5.78	\$19,605	\$ 9,715	4.69
179,788	693,943	18,810	29,009	14.51	59,550	19,721	5.46	19,070	10,279	4.44
170,460	694,905	22,520	30,039	13.22	56,660	22,507	5.28	---	10,276	4.89
162,858	651,509	53,940	30,044	7.76	13,555	21,768	5.46	15,660	10,308	4.48
149,793	644,078	52,330	38,643	7.08	12,055	25,316	5.02	15,025	10,352	4.19
113,443	647,559	50,805	41,111	7.05	10,605	25,798	5.05	14,410	9,974	4.24
106,451	640,952	49,385	43,432	6.91	5,465	26,024	5.16	13,825	9,989	4.33
100,945	620,434	48,025	45,721	6.62	1,600	26,088	5.11	---	10,048	4.72
93,744	655,687	41,725	47,609	7.34	5,280	26,299	5.42	---	4,785	5.22
91,013	644,140	35,575	49,140	7.60	9,775	26,690	5.32	---	668	5.29

Demographic and Economic Information

Population, Personal Income and Unemployment Rate

Years Ended December 31

(Amounts in Thousands)

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2017	6,114	\$269,859,000	\$44	3.3%
2016	6,093	268,379,000	44	4.0
2015	6,084	263,751,000	43	3.9
2014	6,064	255,748,000	42	5.1
2013	6,044	238,095,000	39	7.4
2012	6,022	223,049,000	39	7.6
2011	6,011	229,986,000	38	7.7
2010	6,012	217,486,000	36	9.2
2009	5,988	213,238,000	36	9.2
2008	5,912	205,288,000	35	6.0

Sources:

Population: United States Department of Commerce, Census Bureau

Personal Income, Per Capita Personal Income and Unemployment Rate: United States Department of Commerce, Bureau of Economic Analysis

Demographic and Economic Information

Employment Sectors

Years Ended December 31

(Amounts in Thousands)

	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
Trade, transportation and utilities	556	1	19%	562	1	20%
Education and health services	469	2	16	391	3	14
Government	443	3	16	453	2	16
Professional and business services	393	4	14	341	4	12
Leisure and hospitality	297	5	10	273	6	10
Manufacturing	270	6	9	299	5	11
Financial activities	174	7	6	166	7	6
Construction, natural resources and mining	126	8	4	149	8	5
Other services	116	9	4	120	9	4
Information	<u>51</u>	10	<u>2</u>	<u>65</u>	10	<u>2</u>
Total	<u>2,895</u>		<u>100%</u>	<u>2,819</u>		<u>100%</u>

Source:

United States Department of Labor, Bureau of Labor Statistics

Note:

Information on employers is provided at the more general level of employment sectors, rather than the top ten specific employers of the state of Missouri. This data is more relevant to the mission of a transportation system.

Demographic and Economic Information

Licensed Drivers with Population Data

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Licensed Drivers</u>	<u>Change in Licensed Drivers</u>	<u>Population</u>	<u>Change in Population</u>
2017	4,275	25	6,093	9
2016	4,250	37	6,084	20
2015	4,213	(82)	6,064	20
2014	4,295	15	6,044	22
2013	4,280	(8)	6,022	11
2012	4,288	11	6,011	(1)
2011	4,277	31	6,012	24
2010	4,246	28	5,988	76
2009	4,218	21	5,912	34
2008	4,197	35	5,878	40

Sources:

Licensed Drivers: Missouri Department of Revenue for federal reporting

Population: United States Department of Commerce, Census Bureau

Notes:

Fiscal year 2018 licensed drivers' data is not yet available.

Population is reported on a calendar year basis within the applicable fiscal year.

Demographic and Economic Information

Vehicle Registrations with Fuel Tax Receipts

Years Ended June 30

(Amounts in Thousands Except Fuel Tax Receipts per Registration)

<u>Fiscal Year</u>	<u>Registrations</u>	<u>Percentage Change in Registrations</u>	<u>Net State Fuel Tax Receipts</u>	<u>Percentage Change in Fuel Tax Receipts</u>	<u>Fuel Tax Receipts per Registration</u>
2017	6,580	(3.2)%	\$699,355	0.3%	106
2016	6,795	1.6	697,580	2.6	103
2015	6,689	4.7	680,045	2.6	104
2014	6,390	(6.1)	667,361	1.9	106
2013	6,807	2.2	666,106	0.2	98
2012	6,659	8.7	676,601	(2.8)	100
2011	6,124	(8.5)	685,447	0.2	112
2010	6,691	10.5	684,164	0.5	102
2009	6,057	1.6	680,862	(4.1)	112
2008	5,961	(0.6)	710,246	0.9	119

Sources:

Registrations: Missouri Department of Revenue, Missouri State Highway Patrol and MoDOT for federal reporting

Fuel Tax Receipts: MoDOT Financial Services Division, cash basis

Note:

Fiscal year 2018 registrations data is not yet available.

Operating Information

Demand and Level of Service Indicators

Years Ended December 31

<u>Year</u>	<u>Daily Vehicle Miles Traveled (Amounts in Thousands)</u>			<u>Population (Amounts in Thousands)</u>	<u>Average Daily Miles Per Capita</u>
	<u>State Highways</u>	<u>Non-State Highways</u>	<u>Total Public Highways</u>		
2017	141,938	66,038	207,976	6,114	34.0
2016	139,361	64,807	204,169	6,093	33.5
2015	136,129	60,849	196,978	6,084	32.4
2014	134,056	60,293	194,349	6,064	32.1
2013	131,064	58,871	189,935	6,044	31.4
2012	130,518	56,887	187,405	6,022	31.1
2011	129,512	58,948	188,460	6,011	31.4
2010	130,628	62,879	193,507	6,012	32.2
2009	130,047	59,257	189,304	5,988	31.6
2008	130,703	55,834	186,537	5,912	31.6

Sources:

Daily Vehicle Miles Traveled: MoDOT Transportation Planning Division

Population: United States Department of Commerce, Census Bureau



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Operating Information

Demand and Level of Service Indicators

Years Ended June 30

Freight Tonnage By Mode (Amounts in Thousands) (1) (2)					Travel Information by Mode		
<u>Year</u>	<u>Port (4)</u>	<u>Motor Carrier</u>	<u>Aviation</u>	<u>Rail</u>	<u>Number of Transit Passengers</u>	<u>Number of River Runner Rail Passengers</u>	<u>Number of Airline Passengers (Amounts in Millions) (2)</u>
2018	n/a-cy	n/a-cy	n/a-cy	n/a-cy	n/a-src	n/a-src	n/a-cy
2017	32,000	500,000	184	350,000	62,500,000	171,000	n/a-src
2016	35,000	462,000	186	352,000	59,100,000	172,000	12.8
2015	37,000	485,000	186	397,000	62,800,000	185,600	11.9
2014	39,000	485,000	196	431,000	63,100,000	189,200	11.9
2013	35,000	464,000	198	420,000	62,500,000	197,000	11.6
2012	30,000	409,000	195	438,000	63,400,000	193,000	11.6
2011	33,000	400,000	197	449,000	58,600,000	191,000	11.7
2010	33,000	398,000	182	441,000	56,300,000	165,000	11.5
2009	24,000	368,000	190	416,000	68,400,000	153,000	11.5

Source:

MoDOT Tracker – Measures of Departmental Performance

Notes:

(1) Data is estimated and provides generalized trends and movements.

(2) Measured on a calendar year basis.

(3) Negative numbers mean final project cost was less than the amount budgeted for the project.

(4) Prior years data may be updated for information received in subsequent years.

n/a-cy: Not available - calendar year basis.

n/a-src: Not available - external source provides data.

<u>Road and Bridge Projects</u>		<u>Safety</u>		
<u>Percent of Programmed Project Cost As Compared To Final Project Cost (3)</u>	<u>Percent of Projects Completed on Time</u>	<u>Number of Fatalities from Traffic Crashes (2) (4)</u>	<u>Number of Serious Injuries from Traffic Crashes (2) (4)</u>	<u>Percent of Stripes on Major Roads In Good Condition (2)</u>
(6.00)%	75%	n/a-cy	n/a-cy	n/a-cy
(0.50)	68	931	4,858	77.0%
(2.65)	68	949	4,698	89.8
(5.56)	67	870	4,402	53.8
(7.70)	73	766	4,657	83.0
(12.47)	80	757	4,938	92.1
(10.43)	75	826	5,506	96.4
(15.37)	74	786	5,643	92.4
(11.48)	79	821	6,096	91.3
0.31	67	878	6,540	91.0

Operating Information

Capital Asset Indicators ⁽¹⁾

Years Ended December 31

<u>Year</u>	<u>Centerline Miles</u>	<u>Percentage of Major Highways In Good Condition</u>	<u>Number of Bridges in Poor Condition ^{(2), (3)}</u>
2017	33,859	91.6%	922
2016	33,856	90.1	883
2015	33,873	90.4	866
2014	33,892	89.2	852
2013	33,890	89.7	842
2012	33,885	88.5	2,081
2011	33,845	88.1	2,208
2010	33,702	85.8	2,486
2009	33,639	86.5	2,679
2008	33,676	83.4	2,838

Sources:

MoDOT Tracker – Measures of Departmental Performance

Centerline miles provided by Transportation Planning Division

Notes:

(1) Assets of non-highway modes are not owned by the state. MoDOT administers funds to those entities, primarily through federal and state grants.

(2) The Safe and Sound Bridge Improvement program, completed in October 2012, rehabilitated 248 and replaced 554 bridges.

(3) In 2017, MoDOT revised the definition of bridges in 'poor condition' to better align with FHWA standards. Fiscal years 2012-2016 have been restated to reflect the revision.

Operating Information

Capital Asset Indicators

Years Ended December 31

Functional Classification	Total Public Centerline Miles									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rural										
Interstate	842	842	842	842	841	867	723	722	722	722
Freeway/expressway	1,125	1,020	926	920	923	878	967	953	2	2
Principal arterial	1,876	1,958	2,029	2,043	2,037	2,103	2,157	2,171	3,115	3,116
Minor arterial	3,976	3,935	3,959	3,953	3,964	3,962	3,959	3,944	3,948	3,927
Major collector	15,977	16,138	16,137	16,134	16,164	16,191	16,181	16,185	16,182	16,211
Minor collector	5,979	5,940	5,943	5,946	5,953	5,961	5,954	5,944	5,948	5,961
Local	980	925	927	923	934	965	963	935	885	875
Urban										
Interstate	538	538	538	538	538	512	482	459	459	459
Freeway/expressway	483	476	468	461	446	434	455	470	398	397
Principal arterial	643	646	654	689	708	719	730	730	803	808
Minor arterial	587	591	597	582	571	565	549	527	526	516
Major collector	487	520	523	517	485	446	445	414	410	437
Minor collector	56	22	22	23	14	2	---	---	---	---
Local	310	305	308	321	312	280	280	248	241	245
Total centerline miles	<u>33,859</u>	<u>33,856</u>	<u>33,873</u>	<u>33,892</u>	<u>33,890</u>	<u>33,885</u>	<u>33,845</u>	<u>33,702</u>	<u>33,639</u>	<u>33,676</u>
Statewide Composite										
Interstate	1,380	1,379	1,380	1,380	1,379	1,379	1,206	1,181	1,181	1,181
Freeway/expressway	1,609	1,496	1,394	1,381	1,369	1,312	1,421	1,423	400	399
Arterial	7,081	7,130	7,239	7,267	7,280	7,349	7,394	7,372	8,392	8,367
Collector	22,499	22,621	22,625	22,620	22,616	22,600	22,580	22,542	22,540	22,609
Local	<u>1,290</u>	<u>1,230</u>	<u>1,235</u>	<u>1,244</u>	<u>1,246</u>	<u>1,245</u>	<u>1,244</u>	<u>1,184</u>	<u>1,126</u>	<u>1,120</u>
Total centerline miles	<u>33,859</u>	<u>33,856</u>	<u>33,873</u>	<u>33,892</u>	<u>33,890</u>	<u>33,885</u>	<u>33,845</u>	<u>33,702</u>	<u>33,639</u>	<u>33,676</u>

Source:

MoDOT Transportation Planning Division

Operating Information

Employee Full-Time Equivalents (FTE)

Years Ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District offices	4,572	4,597	4,493	4,610	4,653	4,501	4,685	5,183	5,541
Central office	<u>759</u>	<u>755</u>	<u>763</u>	<u>771</u>	<u>765</u>	<u>765</u>	<u>886</u>	<u>1,028</u>	<u>1,096</u>
Total	<u>5,331</u>	<u>5,352</u>	<u>5,256</u>	<u>5,381</u>	<u>5,418</u>	<u>5,266</u>	<u>5,571</u>	<u>6,211</u>	<u>6,637</u>

Source:

State of Missouri payroll reporting system

Note:

The decreases in 2011-2013 resulted from planned staffing reductions.

Other Information



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**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

Missouri Highways and Transportation Commission
Missouri Department of Transportation
Jefferson City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation (the "Department"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated September 28, 2018, which contained a reference to prior year auditors. Our report contained an Emphasis of Matter paragraph regarding a change in accounting principles, and a paragraph relating to the financial reporting entity as described in *Note 1*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
September 28, 2018